May 22ND 1926

The MAGAZINE of WALL STREET

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EDITED BY

Richard D. Wyckoff

The Best Railroad Shares To Buy To-day

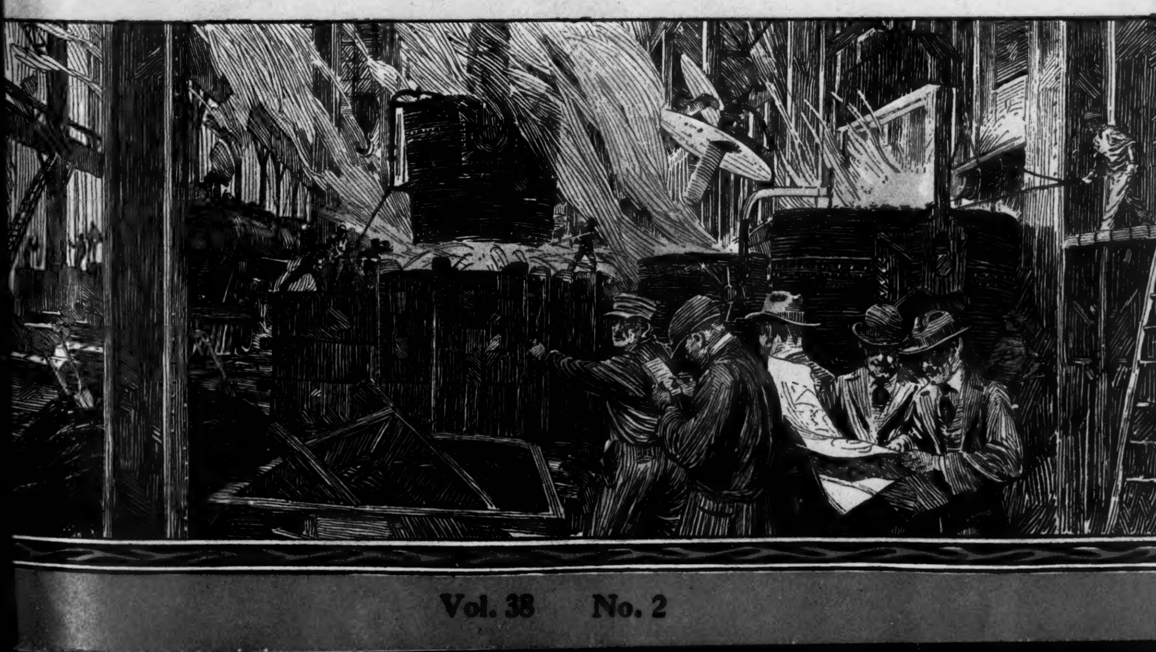
America's Business—Five Years Hence

By J. D. Shatford
Chairman, Railroad Owners' Association

Profit Possibilities in Leading Oil Stocks

After St. Paul's Receivership—What?

What the Great British General Strike Discloses



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CONTENTS

Vol. 38, No. 2 May 22, 1926

INVESTMENT AND BUSINESS TREND 109
What the British Strike Discloses. By E. D. King 111
America's Business—Five Years Hence. By J. D. Shatford 112
Will Investment Railroad Shares Again Sell at Old High Prices? By George B. Collingwood 114
The Ingenuity of American Business Men. By George Tufts 118
Outlook for Oil Industry Most Brilliant in Years 120
Vital Phases of Important Industries 122
Problems of the Average Business—and the Remedy. By John F. Sherman 123

BONDS
The New Bond Buyers' Guide 126

RAILROAD
After the St. Paul Receivership—What? By John Pomroy 128
March Railroad Earnings Register an Important Gain. By Fred L. Kurr 129

PUBLIC UTILITIES
Which N. Y. Traction Securities Offer Greatest Profit Possibilities? By Frederick B. Canning 130

INDUSTRIALS
Sizing Up the Prospects for Two Leading Stocks Representing Each of 15 Important Market Groups 132
Profit Opportunities Among the Amusement Stocks 134
General Motors Corporation. By H. B. Warren 136
New Preferred Guide Provides Greatest Service to Investors 138
Colorado Fuel & Iron Co 140
Freeport Texas Co 141

BUILDING YOUR FUTURE INCOME
The Polite Savage 142
Would Your Present Investment Program Stand Up in "Hard Times." By Stephen Valiant 143
Estate Building With Life Insurance. By George T. Wight 144
A Plan of Mutual Advantage for Landlord and Tenant. By A. M. L. 146
How I Learned to Invest Safely. By Louise F. Morris 147
How to Get That "First Thousand." By Leland M. Aldrich 148
Convert Your Government Insurance Before July 1st 149

MINING
Calumet & Arizona Mining Co. By Frederick Watson 150
Answers to Inquiries 152
Trade Tendencies 154
New York Stock Exchange—Price Range of Active Stocks 158
Securities Analyzed in this Issue 161
Bank and Insurance Stocks 180
New York Curb Market 182
Market Statistics 184
Commodities Department 186
Important Dividend Announcements 190

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WITH THE EDITORS

A Step Forward by the New York Stock Exchange

DECISION of the New York Stock Exchange to provide a better market for inactive listed issues, by reducing the unit of trading from one hundred shares to ten and reporting the transactions on the bond ticker, is a step forward. This change will leave more room for active issues and thus reduce congestion on the stock ticker in busy markets, such as those of last autumn when the physical facilities of the Exchange were strained by volumes which ran ordinarily above two and a half million shares and at times above three million. Facilities will be improved also for odd lot dealings in issues of which one hundred shares or more seldom change hands.

Many standard investments like the preferred issues of General Cigar, Illinois Central and Studebaker are much less active than is generally realized. Weeks may go by before a round lot appears on the tape of specialties like New York Railways certificates, "stamped," or of highpriced issues like Michigan Central, quoted above $1,000 a share. Meanwhile the bid and asked spread might be fairly wide and the only way that an odd lot order could be executed on the Exchange would be for a customer to accept the disadvantage of paying a fraction above the asked price if he wished to buy, or of "poking the bid" if he wished to sell. As a result, the bulk of the transactions in many issues listed on the Exchange have been taking place in the over-the-counter market.

A plan for ending this situation has now been devised by the Exchange, on the ground that anyone wishing to deal in a listed stock is entitled to all the safeguards of dealing through a Stock Exchange member, under regulations for protecting the public that do not exist in the over-the-counter market.

It is planned to take care of orders in the inactive stocks much as inactive bonds are handled. The stocks will be removed from the various trading posts and segregated at one point, where the bids and offers, instead of being made orally as at present, will be written on cards and placed in cabinets in charge of one or more specialists. Stocks selling under $10 a share and bank and trust company stocks will not be included.

With the trading unit reduced to ten shares, only the orders for fewer shares than this will be treated as odd lots. These, presumably, will not have to wait so long as formerly for the transacting of a round lot — ten shares or more. Instead of being executed an eighth or a quarter away from the next round lot, however, the odd lot order will have a differential of one-half a point on stocks selling between $10 and $125, and of a full point on stocks above $125. On round lots, the proposed commission of 20 cents a share will constitute an increase for stocks selling below $75; but the round lot orders of less than 100 shares will no longer be penalized by an odd lot differential.

So much work is involved in the new arrangement that it may not go into effect for some time. An amendment to the Stock Exchange constitution may also be necessary. No opposition is expected, however, to a measure which can hardly fail to increase the revenues of the members. At the same time, the interests of the public should be served by this innovation, which the Governing Committee recommends as carrying out the Exchange's aim of giving the best possible service.

United States Steel Corporation
New York

May 6, 1926.

Chairman's Office.

My dear Mr. Wyckoff:

My attention has been drawn to the article on page 20 of the Magazine of Wall Street dated May 8, 1926, written by Harold A. Spence. This is well done. It is reasonable and fair and, in general, an accurate statement of the situation, although Mr. Spence has given me too large a measure of credit. I congratulate you. Please express to Mr. Spence also my appreciation.

With kind regards, I am,

Very truly yours,

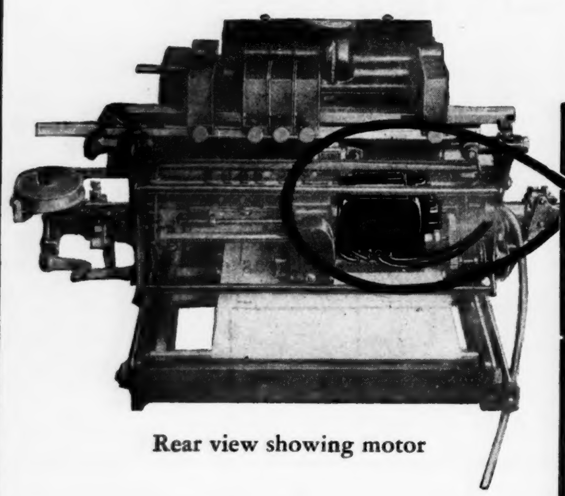
E H Gary

Mr. Richard D. Wyckoff, Editor,
Magazine of Wall Street,
New York, N. Y.

A Letter from Judge Gary

Turn to Page 114 for an Unusual Article Discussing the Profit Possibilities in Twenty-Six Important Rail Shares

Announcing



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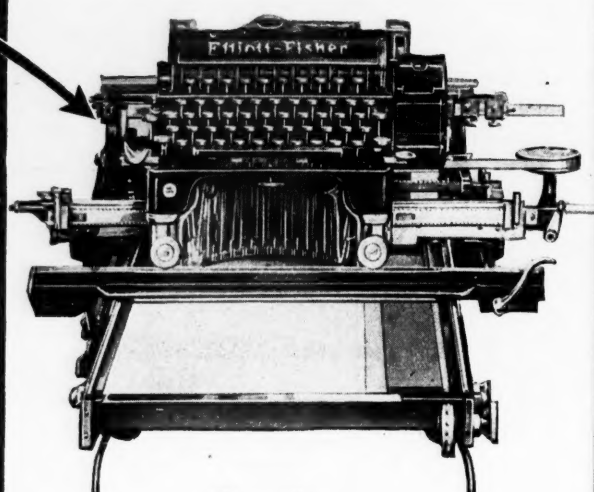
Quickly, quietly, the motor on the new Elliott-Fisher sends the carriage gliding back and forth over the flat writing-surface. All the operator does is strike the keys.



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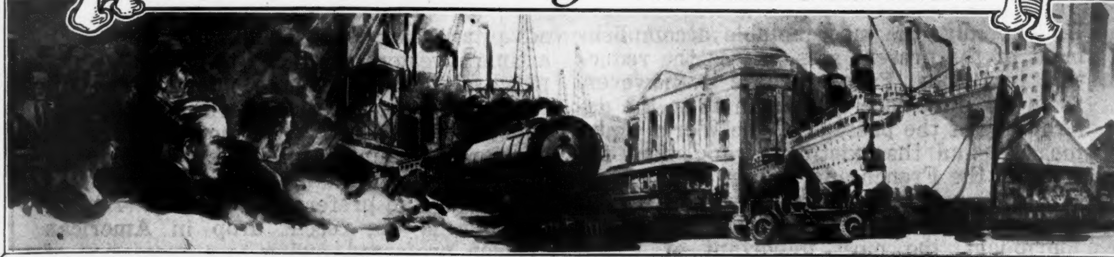
The MAGAZINE of WALL STREET



EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

A Significant Trend in Earnings—The Profit Margin—Adjournment of Congress Nears—Position of Speculative Bonds and Preferred Stocks—The Market Prospect

FIRST quarter earnings reports, on the whole, were satisfactory and, in a number of cases, were positively brilliant. One needs, however, to maintain a true perspective in analyzing past reports or an entirely erroneous impression is likely to result. Perhaps the most interesting feature of earnings thus far submitted for the corporations whose securities are listed on the New York Stock Exchange is the fact that the extremely large and financially powerful companies made the best comparative showing, the smaller and weaker ones either barely holding their own or slipping behind the procession. In the automobile field, for example, General Motors turned in a report for the first quarter of 1926 which was not nearly equalled by any other company, except possibly Ford, whose stock is not listed. In the steel industry, a number of the independents did well, indeed, but the U. S. Steel Corporation showed its ability to make progress at a faster rate than its competitors. The same discrepancy in the position of strong as against weaker companies prevails in other industries, and is merely accentuated under present conditions.

During a period of unusual business activity, the smaller companies generally share handsomely in the current prosperity. The largest companies are unable to satisfy the demand and the overflow goes to their smaller competitors. When business wanes, however, the big companies still obtain their share of the available business but those of less importance are compelled to compete with each other on a basis which can only result in shrinkage of profits.

The effects of large-scale concentration of capital and industrial capacity become especially clear in a period of shrinking business and the present is no exception. The conclusion is that in the present period of business irregularity, the very large companies will do proportionately better than their smaller rivals. From the viewpoint of the trend of stock values, this is by no means an unimportant feature.

ADJOURNMENT OF CONGRESS

UNDER an agreement between party leaders of House and Senate, it is probable that Congress will adjourn around June 1. This means that Congress will not be in session after that date until next December. Reason for the early adjournment will not be found far away from the desire of Congressmen and a number of Senators to prepare themselves for the coming elections in November with many seats in jeopardy.

In the meantime, it does not seem likely that the President and his administrative officers will be very much grieved at the impending close to legislation. The President's hold on Congress is not as strong as appears from the surface and were it not for his undoubted enormous strength with the rank and file of the voters, it is probably true that many Congressmen and Senators who secretly dislike the President would have been only too glad to embarrass him. As it is, the President is fortunate to have succeeded in putting over his pet economy measures.

Undoubtedly, the most notable accomplishment of the present session was the reduction in Income Taxes. There is, however, room for difference of opinion as to the desirability of the passage of the World Court measure and the existing arrangement for funding the French and Italian debts. Several measures of importance will be up for final action in the brief period before adjournment, the most important of which from a railroad viewpoint is the Gooding bill (described in our last issue).

All in all, the record of the closing session was satisfactory from a business viewpoint. The next session, however, is likely to offer very considerable obstacles to any program the President has in mind.

PROFIT MARGINS

WITH Spring already nearly ended, attention is being centered on Summer prospects. It is generally agreed that the late Spring has tended to interfere with consumption. Furthermore, buyers of all sorts seem to be cautious about entering new commitments. There is a sufficient backlog of orders on hand to keep plants fairly busy until the end of Spring but it is doubtful that even the present rate of output, which shows a decline from that of several months ago, can be maintained. With the steel industry still an acceptable barometer of trade conditions, it is significant that despite the large volume of current production, prices are slipping and, hence, the margin of profit is narrowing. This seems to be true of industry generally; consequently, a reduction in buying and in production seems inevitable. The Summer months, according to the best-posted authority, are likely to be marked by recessions generally.

SPECULATIVE BONDS AND PREFERRED STOCKS

THIS type of issue, of course, is much more susceptible to changes in earnings conditions than those in the high-grade division. It is a fact that many speculative bonds and preferred stock issues are inherently much weaker than sound common stocks. In a period of rising business and stock market, the more speculative fixed-income bearing securities are usually affected sympathetically and they generally move higher with the market, as a whole. Sustained by temporarily increasing earnings of their companies, they often appear to much better advantage than they should. Hence at such a time investors are likely to be misled into purchasing them on the mistaken theory that a bond or preferred stock is necessarily superior to a stock. The fact is that a reduction of earnings could have a very serious effect on a great many of the more speculative bonds and preferred stocks. A striking example is the recent drop in American Woolen preferred, owing to a succession of poor earnings. There have also been indications of recession in the more speculative types of bonds.

At present, the tendency for experienced investors is to switch from this type of issue either into the superior class of bonds and preferreds or into the soundest type of common stocks such as the standard railroad and public utility shares. Such action is dictated by uncertainty as to the speculative trend and, more particularly, uncertainty as to the trend of earnings of companies represented by the more speculative type of issues. On the whole, the tendency is soundly based. It would seem prudent for investors to scan their lists, including bonds and preferreds, and weed out the less desirable types. Of course, here and there will be found those exceptional issues which, while speculative, represent companies whose earnings are definitely ascending. These, of course, may be retained in exactly the same manner as the common stock of a company whose earnings are increasing.

MARKET PROSPECT

THE market is distinguished by a seeming lack of responsiveness to news developments. Public interest in speculation continues low and the market will probably continue to back and fill in the present manner until some overwhelming development takes it out of its rut. There are several exceptions, however, to the present dullness. Automobile shares, due to prospects for increasing competition and lessened earnings, are weak, while oil stocks are firm on their strong fundamental outlook. Rail shares, though quiet, present some good investment opportunities. Technically, most of the market seems somewhat sold out though the weaker issues are still being singled out for attack. For the time being, the market will probably be two-sided with over-exploited speculative issues continuing to decline. Those selling closer to actual value should at least hold their own, and some, like the oils and rails, are likely to advance.

Monday, May 17, 1926.

What the British Strike Discloses

Results of Treading the Primrose Path in Industrial Management—American Labor Owes Capital a Vote of Thanks

By E. D. KING

IF we reduced the causes of the British General Strike to a formula, it would be to lay the blame at the doors of the near-sighted management policy which the owners of British mines have pursued during the past few decades. The British coal industry has been operating at an increasing disadvantage for many years simply because no definite, broad policy of management has been put into play. British owners have been content to draw out whatever royalties and profits they could without regard to placing their mines on an efficient operating basis. They are now reaping the whirlwind.

A clear majority of the British mines cannot be operated profitably any longer, owing to the fact that modern machinery, with its labor-saving devices, has not been installed. Deep coal pits are still being dug by hand and, in too many cases, the machinery in use is antiquated. Naturally this raises the cost of production and places British coal at a distinct disadvantage in the world coal markets. With France and Germany lusty competitors, the position of England's premier industry has become imperiled. It is not difficult, therefore, to see that the British coal mine owners are unable to maintain the existing wage scale level. If they are to survive at all, they feel that wages must be cut.

The British miners, however, are already receiving a low scale of wages, so low in fact as to impair their purchasing power and keep their standard of living quite low. It seems natural that they should resist further encroachments on their ability to survive at all. As a matter of fact, the sympathetic strike of the other British unions was called merely in an attempt to support a tolerable living standard for the miners.

The clash between the British mine owners who cannot continue to operate profitably on the existing scale of wages and the miners who cannot live except under the most poverty-stricken conditions if their wages are reduced was therefore inevitable and, in fact had been coming for several years, being merely postponed on several previous occasions, when it appeared that industrial strife was imminent.

Yet, if the industry had been well managed in the American sense; if the British coal mine owners, instead of consuming their profits, had used part of them for building up mine equipment, installed modern machinery and in other ways reduced the cost of production, and thus placed themselves in a better position to meet world competition, it is highly probable that the British miner would not have struck. Rather, he would probably be enjoying an even higher rate of pay than that now objected to by the owners, and the owners would have been glad to pay it.

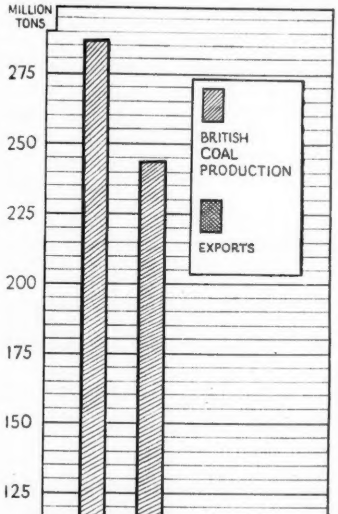
The weakness of the British system is fundamental. Instead of increasing the purchasing power of the masses through high wages, British capitalists and industrialists, a limited class, have taken the profits to themselves. Rather, they should have permitted the workers to improve their own economic position and this would have benefited all concerned, including the employers.

It has been said that the United States is the stronghold of capitalism, that its employers are indifferent to the needs and aspirations of the working classes. Yet, compare conditions in the United States with those in Great Britain, Germany or in other industrial countries. Here, we have a high standard of living made possible by the highest wages in the world; abroad, there is a low wage standard and miserable living conditions. Here, we have managements who are too wise to dissipate their profits but who, instead, use a great part of their earnings in building up their companies, in installing new machinery and, in other ways, cutting their costs to the ultimate benefit of all concerned. Abroad, except perhaps in Germany, there is backwardness, inefficiency and all the other evils which go with poor management. This is not to say that we are making the most of our opportunities or that we have no serious problems to solve. Yet few will accuse American employers of being backward, at least in respect to increasing the efficiency of their business.

In industrial life, as in other matters, one cannot very well eat the cake and have it. One cannot draw profits out of a business without putting some of them back into the business or, in due course, there will be no profits to draw out at all.

The British committed the cardinal er-

(*Please turn to page 187*)



The trouble with the British coal industry, as this graph shows, is declining production owing to declining exports, which, in turn, is due to inability of inefficient mines to compete with those in Europe.

America's Business—Five Years Hence

Greatest Economic War in History Forecast—The Influence on Interest Rates Likely to Be Marked—Do We Need As Much Capital As Is Available To-day?

By J. D. SHATFORD
Chairman, Railroad Owners' Association

EUROPE, with its immense surplus of labor population, is girding her loins for competition with us. Her labor costs are but one-eighth to one-half our own, which spells reduced costs, hence, reduced prices all around.

There is in Europe a determination to get down to work and out of debt as quickly as possible, causing intense development of business which is the only means by which they can develop that end. Women, in overalls, are working as men in the factories of Europe in an endeavor to add to the family's income. Europe can pay its debts to us, whether due to our government or to individual investors, only by increasing its trade.

In France, it is believed there are approximately two million foreigners employed on reconstruction. Soon, this will cease and these two million men will be turned loose to seek employment elsewhere. What will then follow? Certainly not higher wages.

To question the rehabilitation of Europe is folly. It is fast getting on its feet.

Our unfavorable trade balance for the first four months of this year will probably approximate two hundred millions of dollars. This is the beginning of readjustment.

We may expect this unfavorable trade balance to continue for several years, except possibly for brief intervals, when we are in the season of large exports of cotton and agricultural products.

If we attempt to compete with Europe, we must reduce our prices. This can only be done by the reduction of the price of labor. If we cannot reduce labor, it means that we shall have to lose much of our business in manufactured articles.

In the recent strike, England was fighting the battles of the world. It was standing between civilization and demoralization. One of the causes of the English strike was a reflection of high wages and extravagance in this country.

The basis of prosperity in this country is agriculture. It must be admitted it is now very much depressed. The farmer is in a very unfortunate position, in that he must pay high prices for his labor and for everything that he buys. This being an agricultural export country, he can get no direct benefit from high tariff. In the export market he must compete with the cheap labor of Argentine, Brazil, Australia, New Zealand, India, Egypt, Russia, France, Roumania, and all exporting countries, including Canada, though its labor does not approach the low prices of European labor, but its great wheat producing lands cost but a fraction of ours. Every country in the world is striving to increase its agricultural products, which must tend to lessen the price which our farmer will receive for his exports. Canada had a favorable trade balance in 1925 of nearly five hundred millions, largely because of agricultural products.

Congress is now struggling with the question of relief for agriculture. Such can only be extended if unsound economics is practised, but I believe that it would be better were we to enact some form of legislation in an endeavor to improve the farmer's condition even though it be along lines of unsound economics. For if we are to remain a high tariff country, any effort to aid the farmer must be along uneconomic lines. If such legislation is enacted we shall at least learn something, for better or for worse. My contact with legislators, and it is almost daily, leads me to believe something must be done.

Capital is abundant in this country and growing rapidly yearly, but I cannot see how a nation can continue to be prosperous when fifty per cent of its people, because of in-

Salient Features of Mr. Shatford's Forecast of Future Business Conditions

¶ *Europe preparing for drastic competition with United States.*

¶ *Our unfavorable balance of trade is likely to grow during next few years.*

¶ *The price which our farmers receive for their exports will probably tend to decline.*

¶ *Continuation of immense purchases of luxuries on instalment plan must inevitably lead to disaster.*

¶ *The population of the United States is not living within its income.*

¶ *With the outlook for business less favorable, money is likely to be in over-supply and rates of interest will be very low.*

stallment buying, are only two jumps ahead of the sheriff.

It is said by those who defend this form of buying, that houses and furniture are bought on this plan. My view is that as long as this class of buying is confined to necessities and the cost of these necessities kept well within the limit of the buyer's income, it is all right, but when we buy shoes, hats, shirts, dresses, radios, victrolas and automobiles on the installment plan, all of which creates extravagance, we are inviting ultimate disaster. It cannot be denied that credit invariably tends to extravagance. In order to continue prosperous, a nation must live well within its income, or disaster will follow. The same is true of people.

Many nations of Europe have been living at a greater pace than their income warrants, thus disaster to their currency and credit, and if allowed to continue long, bankruptcy would follow.

We cannot expect to be immune from uneconomic actions, just because we are Americans.

We have been living too fast, and must call a halt. Safety and conservatism demands it. Our people must cease extravagance and live within their income.

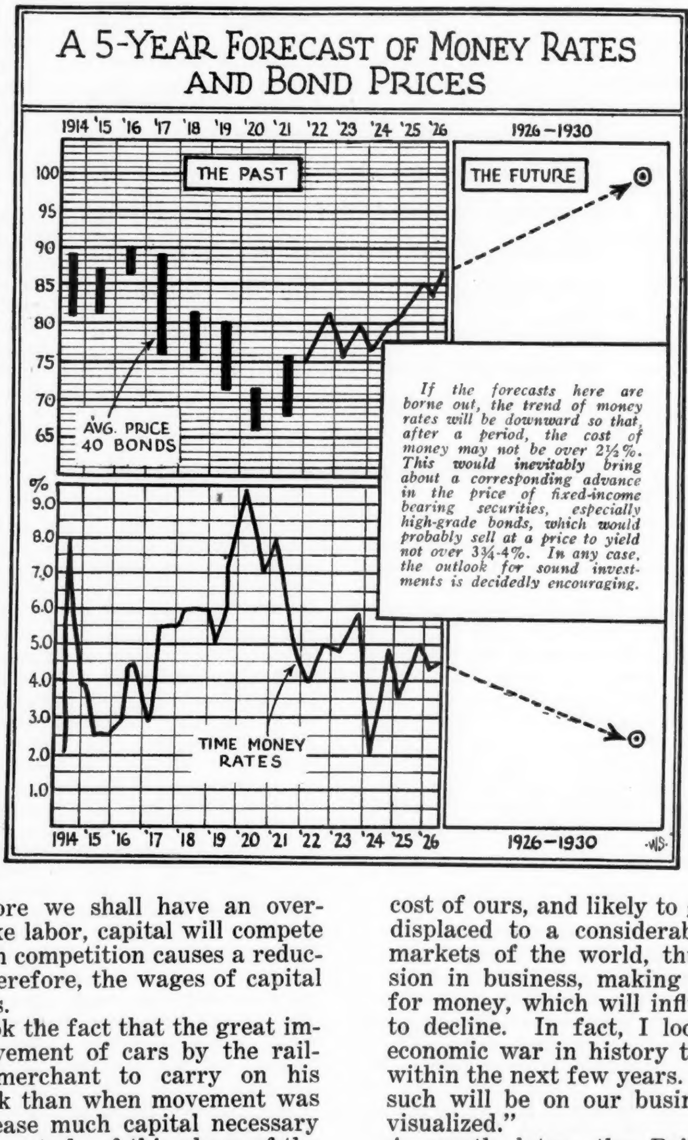
Everyone is entitled to what he or she can produce, but before indulging in luxury, savings should be built to prevent subsequent disaster.

I do not believe it can be denied that we are facing a recession in business, and that installment buying, which has tended to bolster up our trade, will grow less, and that the prices of commodities will also grow less. So will the capital necessary to carry these commodities be less. Therefore we shall have an oversupply of capital. Like labor, capital will compete for employment. Such competition causes a reduction in its wages. Therefore, the wages of capital will grow steadily less.

We must not overlook the fact that the great improvement in the movement of cars by the railroads demands the merchant to carry on his shelves much less stock than when movement was slower. This will release much capital necessary for inventories. A close study of this phase of the situation causes me to believe that about ten per cent less capital is necessary for the purposes above mentioned. It is my opinion that our well known men, who are so frequently quoted in the press, instead of whistling to keep their courage up, should light the lamp that points the way to danger if our present living pace is kept up.

Our conclusions therefore must be, if based upon sound logic, that business will grow less, that money will be in oversupply and that rates of interest will be very low, over a period of years. In an economic review, which I prepared and which was read to the Interstate Commerce Committee of the Senate, in March last, I said:

> "It is my opinion that interest rates will be so low in the next five to ten years that the government will be able to borrow money at from 2½ to 3¼ per cent, and that financing may be done by companies in good credit on a basis of 3 to 4 per cent at the most. I base my conclusions on the belief that we are increasing in wealth some ten or twelve billions annually, that our income by way of interest and principal payments on debts due us by foreign governments and peoples will amount to many hundreds of millions a year, that immigration is practically shut off, and backing up in the countries from which they formerly came, causing a great over supply of labor in these countries and reducing its cost, thus maintaining the cost of labor in this country, and to that extent preventing our growth and development, and that Europe is rapidly recovering which recovery will cause our products, manufactured and otherwise, because of the low cost of labor which is now from one-fourth to one-half the cost of ours, and likely to grow still less, to be displaced to a considerable extent in many markets of the world, thus causing a recession in business, making a lessened demand for money, which will influence interest rates to decline. In fact, I look for the greatest economic war in history to develop and rage within the next few years. What the result of such will be on our business can readily be visualized."



A month later, the British Ambassador, in addressing the Chicago Association of Commerce, is reported to have used these words: "There is now developing the greatest war in the history of the world. Not, however, a war of territorial aggression, but a war of industry." I believe the Ambassador spoke truthfully.

Will Investment Railroad Shares Again Sell at Old High Prices?

Twenty-Six Stocks with Unusual Possibilities

By GEORGE B. COLLINGWOOD

INVESTORS are groping about for securities that are fairly certain to increase in value within the next few years. In this authoritative and thorough study the writer holds definitely that investment rails are the one class of stock surest to show profits for a long pull. There are no "ifs" or "buts," but a straightforward and unqualified presentation of the theory that, barring temporary developments, the best rail shares offer some of the most attractive speculative investment opportunities available among stocks today.

IN 1921, there was an eclipse of the rails. After the blight of Federal control and the restoration of the damaged roads to their owners at the very moment of a great deflation in industry, it was believed that the rails had seen their best days. But, gradually wide-awake investors began to note declines in operating expenses accompanied by increases in gross earnings, and consequently even more considerable gains in net earnings.

Five years of freedom from the insistence of radicals followed 1921. Hence, the attention of investors was restored to the rails, and the latter again became investor favorites. Not having been bid up quite so hectically as were the industrial shares, they have shown a slightly better resistance to the general market decline which started at the end of February, 1926.

Their present relatively attractive position invites the question, "Will the rails sell again at their old high prices?" True, several are selling well above such figures. Yet, relatively, rails have not nearly caught up to their old high prices.

A thorough analysis of the previous position of the rails is needed in order that their pre-war prices be explained. The points of similarity and the points of difference between the pre-war and the present situation will provide the basis for an answer as to future price trends. The importance of such an analysis arises out of the need, at this moment, of finding at least one group of stocks reasonably certain to advance in the reasonably near future. As proved in our last issue, many stocks turn the corner long before a bear market runs its course, and it is possible that a bull market in rails will precede, by a considerable period, the next bull market in industrials.

Rails Were Center of Pre-War Stock Market

Before 1914, the rails were the primary investments, and also the speculative favorites. The industrials were less important, and few public utilities were listed on the New York Stock Exchange. American rails were also the most important single group on the London Stock Exchange, and extremely important on the Amsterdam and Paris exchanges. In fact, many important systems such as the Illinois Central were very largely owned abroad; and the Pennsylvania was a favorite medium of British investment and speculation. Hence, the rails enjoyed an active world market, with constant arbitrage between leading exchanges acting as a considerable market factor. The first question a broker would often ask upon arrival at his office was, "How's London?" meaning primarily, how were American rails acting in London.

This world market is almost inconsequential today. Hence, the New York Stock Exchange is the smaller theatre upon which the rails will have to star. But what they have lost in geographical distribution, they have gained in the great increase in American stockholders, as we shall see later.

The rails, furthermore, were the leaders in the New York market. Until 1900, rails and mining were the mainstays of the exchange, and only with the great McKinley merger epoch, culminating in the formation of United States Steel Corp., did industrials achieve a comparable importance. Since the entire investor attention of the country was directed to the rails, they were often bid up beyond their analytical merits. They were also the football of speculators. Types like Daniel Reid and E. H. Harriman, in their different ways, were characteristic of an epoch. Today, the rails occupy no such position, and are in fact but a segment of the market. When there is added to this the fact that right now the market is beginning to look into values, and not over-valued market action, it appears that the former adventitious aids which the rails enjoyed before 1914 are largely gone.

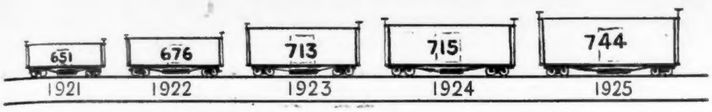
There are practically no more rail stocks outstanding today than there were in 1914. Even rail bonds have not increased considerably, although (regrettably) slightly more than rail stocks. Hence, the so-called "water" has been squeezed out, and rail stocks today speak for more value than they did before 1914. This alone would more than compensate for the loss of the adventitious aids mentioned.

Pre-War Earning Power Basic for Comparison

Relation of average earning power per share to average prices prevailing in the pre-war period is not easily ascertained. It would be best to take the median price in a year like 1912 as against, say, average earnings for five years preceding. The reason why 1912 median prices are selected is that they exhibit the functioning of the market when rails had already entered their decline. It would be abnormal to take the "boom" situation prior to 1906 as normal for the 1901-14 period. Earnings, for the twenty-six roads whose future prices we are here considering, had averaged exactly $11 per share for the preceding five years (since the peak price of 1906). Average price was $130 per share. Earnings were, therefore, 8.4% of market price. Dividends averaged $6.50 per share, so that the then current income from rail shares was 5%. This figure marks the low tide of the rails, when the "average prices" for rails were only about par as against 136 during the 1905-6 boom. All of these low figures were, however, notably higher than those obtaining for the rails today.

Ratio of operating costs to total revenues was 69.37% for this 1912-13 period, as against 76.14% in 1924.

NET TONS PER TRAIN



It costs about as much to haul a train empty as full. Gains in net tons per train are therefore almost wholly profit.

On the other hand, expressed as net income, the rails showed 439 millions in 1912-13 and 546 millions in 1924. These latter figures apply to a capital, both bonds and stocks, not fundamentally dissimilar from that in 1913.

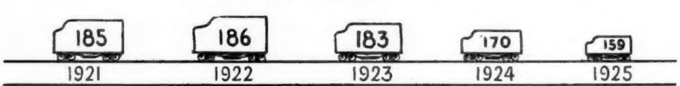
Why Did the Rails Decline Before the War?

It has been fashionable among hasty observers to attribute all the woes of the rails to the war. But in point of fact prices of railroad stocks had shown a downward trend after 1906, that at last became chronic, irrespective of panics, prosperity or war. To trace the causes of this decline is most important, as it is the theory of the writer that every one of the causes which brought about this great decline in the rails is not only no longer operative, but in most cases the very reverse is true. If this is demonstrated, a bullish position on the rails becomes inevitable.

RISE IN COST OF COMMODITIES From about 1899 on, the costs of living, or to put it more exactly, the index of commodity prices advanced consistently. Until about 1906 this increase was leisurely, but thereafter it rose notably, and by 1910 was so obvious as to have become a political factor.

FUEL CONSUMPTION

PER 1000 GROSS-TON MILES



One of the great contributing factors toward rail prosperity is the steady decline in fuel costs.

The effect of this situation upon the rails was unfortunate. Rates are a comparatively fixed affair. Not only is this generally true now but it was especially true during that epoch. Political radicalism, the heritage of populism, was rampant in the west, and in many cases the rates were too low, on any price basis. Hence, with low rates and rising costs of supplies and wages, the earning power of the rails diminished rapidly. For example, the net operating income was 5.79% of property investment in 1905, rose to 6.31% in 1906, and then declined to as little as 5.19% in 1912, and recovered but slightly to 5.35% in 1913. A fundamental decline had set in. The operating ratio or ratio of costs to revenues was mounting in every year except 1910. This decline in earning power was evidenced in the decline of the rail stock average prices from 136 to 100. Naturally, the war and post-war situations accentuated this evil of increased costs.

INCREASE IN CAPITAL AND IN CAPITAL ASSETS Contemporaneous with rising costs, there was a large increase in capitalization, and most serious of all, most of this increase was in bonds, entailing still greater increases in fixed charges. Hence, the common shares received a double setback. If this increase in capitalization had been effected to retrieve earning power the consequences would not have been so bad. But chiefly they were employed for two classes of expenditures. The first were such as were dictated by public safety and convenience, and by prestige; and the second group by such increases in facilities as were urgently called for. But the increased earnings thereby created were not capable of immediately taking up the expenditure. Grade crossing and automatic signals were typical of public convenience expense; also great urban terminals of prestige expense, and increased freight terminal facilities of expansion expense. Immediate revenue gains were naturally not forthcoming.

RISE IN RATE OF INTEREST Although not very important until after the outbreak of the world war, one of the most important consequences of the increase in commodity prices and war scarcity of capital, was a bidding up of money rates. Hence, bonds floated by the rails had to bear a higher coupon rate than hitherto. What was worse, as bond yields increased, stock yields had to compete and prices were forced down. This in turn made stock financing impossible, and brought about a wave of bond financing.

COMPETITION OF INDUSTRIALS FOR CAPITAL Until 1900, the rails had been supreme in the stock market. But after the 1901-3 craze, despite the 1904 disillusionment, industrials began to compete with the rails for investor attention. Business was not altogether rosy between 1907 and 1914, but still, in a time of increasing costs, any business will fare better than any railroad, all other things being equal. Therefore, while in 1906 the rails had averaged in price $40 per share above industrials, in 1914 the rails averaged only $19 more than industrials. This contrasts severely with the days of 1904 when industrials averaged about 42 and rails about 98—a ratio of more than two to one. Later, the utilities, especially the electric light and power industries, with a spectacular advance in consumption, and technical reduction of costs, took their place beside industrials in the competition for capital. The rails were dethroned.

SPECULATION, SCANDALS AND PUBLIC HOSTILITY

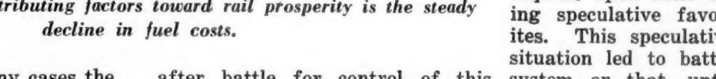
An important reason for wide variations in quotations in rail stocks were the great rises and dips in prices consequent upon their being speculative favorites. This speculative situation led to battle after battle for control of this system or that, until the general public believed that the rails were run for bankers who gained the fruits of control, and not for transportation. Radicalism was re-enforced, and the ugly public attitude impaired the prosperity of many good roads.

The War is Added to Other Misfortunes

To cap the climax, the European war broke out in 1914. With it came sharper price and wage increases and higher interest rates. Net income was large temporarily, after 1915, owing to the great upswing in business, but it did the rails little good. The profits of industrial enterprises were fantastic, and speculative attention became wedded to the industrials for good. From that time dates the setback of the rails. Federal control completed the picture. Wartime demands pressed on the rails as on industry, but industry was paid for this pressure, whereas the rails merely suffered. They could not offer the rates of return that industrial stocks so lavishly promised. Hence, government operation became a military necessity. Its fruits are too well known. The rails were restored in 1920 to their

NET RAILWAY OPERATING INCOME

PER DOLLAR OF GROSS REVENUE



Gains in net income make possible future increase in dividends.

owners, just at the time of a great recession not only in the volume of business, but in a price deflation which made business almost panicky. In the meantime, the high costs of operations initiated by the government were inherited. Money rates in 1921 and bond prices were at their high just at the time the rails most needed financing. Seldom has the picture looked worse. Only once—in 1893—when one-fourth the railroad mileage of the country bankrupted were conditions more unfavorable.

What Has Been Accomplished Since 1920?

Yet, what the rails have accomplished since 1920 has been almost miraculous. They have restored themselves to financial health, albeit not robust health, in many instances. In one case—the St. Paul—the errors and misfortunes of the past were too great a drag, and it failed. But all the others show a marked progress.

Railroad performance has shown consistent gains. Freight-car-miles per car day have risen from 22.4 in 1921 to 28.3 in 1925. Net tons per train have increased from 651 to 744 in the same period. Fuel consumption has declined from 185 pounds per 1,000 gross ton-miles to 159 pounds. And so on.

Operating expenses have been reduced by 1.25 billions, despite gains in traffic. In the meantime, freight rates were reduced by 15%. Class I roads earned 2.92% on their property investment (carried on their books) in 1921; 3.61% in 1922; 4.48% in 1923; 4.33% in 1924, and 4.83% in 1925. This last compared with 5.36% in 1913, the last pre-war year, and 6.31% in 1906.

On the tentative valuation of the rails made by the Interstate Commerce Commission in 1920, the 1925 return is 5.62%, or quite near to the 5.75% conceived to be a fair maximum return. On this basis the rails are exceeding pre-war performance. But in the five years the rails fell short of this maximum by more than a billion dollars, and this may act as an offset against any penalizations of the roads for earnings above 5.75% as is contemplated under the present Transportation Act.

Public Utilities	Industrials	Rails
9.2%	9.7%	10.6%

What Three Important Stock Groups Are Earning On Their Market Price

Railroad Stocks Now Face Bright Future

One could go on multiplying hundreds of instances and indices of gains in railroad prosperity. But all of this would mean little to the investor, whose one demand is how all of these favorable developments will ultimately affect the prices of railroad common stocks.

The answer must first show that every single factor that made for a decline in railroad stocks, has now been reversed.

COMMODITY PRICES NOW DECLINING From 1921 on the commodity price index has declined rather consistently, and lately this decline has been accentuated. This decline will have exactly the opposite effect of the increase in commodity prices which injured the rails. Costs of operations will decline, while rates, which are comparatively inelastic will decline much less and lag considerably behind the decline in costs. Hence, increases in gross revenues should spell even greater increases in net income.

This even greater increase in net income will redound far more to the benefit of the common stock, in nearly every instance than to the senior securities. For example, Great Northern's gross was 115 millions in 1925. Net income was 39.6 millions, of this 18.3 millions was paid for interest, etc., and 21.3 millions was applicable to the 2.5 million shares of preferred stock (really common).

Let us assume that operating costs were decreased by five millions so that net income was 44.6 millions. Fixed charges, which were earned about 2.2 times, would now be earned by 2.5 times. But the whole of the five millions would be passed on to the common, which would then have earned not $8.50 per share but $10.60 per share. Thus fixed charges would be fortified by 10% additional, but preferred stock by 25%. For this reason, a decline in commodity prices will put the common shares in a most favored position among rails. Ultimately it will also tend to reduce the wage bill, which is now 44% of gross revenues. Coupled with greater efficiency, this item should show a declining percentage.

A further advantage is the adverse effect on industrial shares by an epoch of declining cost. Hence the railroad shares will not only improve in absolute earnings but in relative market position also.

CAPITALIZATION HAS NOT NOTABLY INCREASED Contrary to the great gains in capitalization beyond earning power characteristic of pre-war days, earning power is being augmented owing to slight increases in capitalization. In 1914, the rails showed 10.74 billions in funded debt, and 8.65 billions in stock. Ratio of funded debt to total capitalization was 55.4%. In 1925, total capitalization had risen from 19.4 in 1914 to 22.1 billions, or not so much as 14%. Funded debt rose to 57.2% in 1924, but stock conversions probably reduced the ratio of funded debt to 56% in 1925. However, as to securities authorized for the year ended October 31, 1925, out of 907 millions, only 44 millions were stock issues. From 1914 through 1924, railroad stock issues increased from 8.65 billions to 9.30 billions, or less than 9%.

Not only has the amount of railroad shares been comparatively static since pre-war period, but relative to the stock market they have actually declined. On the New York Stock Exchange, railroad shares (180 issues) number 81.6 million shares having a market value of about 7.09 billions, or an average price of $86.95 per share. Non-railway shares (863 issues) are 410.1 millions with a market value of 27.39 billions, or nearly four times the value of the rails. Average price is about $67 per share. Railroad bonds listed (domestic, 693 issues) have a par value of 9.43 billions and a market value of 8.55 billions or 90.64% of value. All non-railway bonds, other than Libertys, etc., are listed in the amount of 10.90 billions. Thus, even in the bond field the rails have become secondary.

In 1925, United States railway companies had 1.69 million shares additional listed. All other shares gained 56.5 millions or more than thirty times as much. In the bonds, listed rails declined by nearly 9 millions par value while the others increased by 973 millions.

It is obvious that railroad capitalization is ultra-conservative and that rails are relatively a secondary factor in the market, albeit a gigantic secondary factor.

RATE OF INTEREST NOW LOWER Rail stocks are not threatened by high interest rates, as was the case before. They are now favored, for the first time in a decade, by low interest rates. The railroad bond, with a low coupon rate is again appearing. Hence fixed charges are likely to be reduced, since it will soon pay to call bonds with higher coupon rates and refund at lower rates. But as a bullish argument for the rails beyond this constructive factor, there is the simple fact that railroad common stocks will soon sell on an investment yield basis. Certainly the 1913 level of 5% is the very least at which they will soon be entitled to sell, and that on a more liberal dividend basis than now prevails. Higher divi-

dends, less fixed charges and investment yield basis are the three basic products of low interest rates.

SPECULATION, SCANDALS AND PUBLIC INTEREST This last change is in a sense the most constructive of all. Apart from a small minority, the responsible American public is whole-heartedly with the rails and wants to see them prosper. Public favor has replaced public hostility. Scandals and speculative excesses have disappeared and from a psychological viewpoint, the situation is sound.

Since all of the factors that made for lower prices have been converted into levers for higher prices, it remains to review the possibilities of the rails in competition with the industrials and the utilities.

The rails are after all the seasoned American investment. During their darkest days they commanded the allegiance of a body of faithful investors such as neither industrials, nor public utilities, today, as a class, can ever expect to command. The reason is deep-rooted in American experience. A railroad is eternal, an industrial, save the strongest, ephemeral. Utilities have much of the virtues of the rails but most of them are not as seasoned. Hence, despite variations in earnings and prices, the rails command today 65% more stockholders than they had in 1915. Stockholders are four times as many as they were in 1905. They now number nearly a million. Practically all of these are Americans. This position of the "classic" investment gives the rails an added advantage when the industrials are not greatly prospering.

Despite the fact that THE MAGAZINE OF WALL STREET believes that we may experience a business recession, which may be reflected in temporarily reduced railroad earnings, at some time in the near future, it still holds the rails to be in an altogether special position. It believes the factors of small capitalization, low interest rates and low operating costs to be constructive, outweighing any temporary recession in gross revenues. Hence, it is bullish on the rails for the long pull, if not for the more immediate future.

It must not be forgotten that the rails can so manage their maintenance account, because of their present good physical condition, as to increase or diminish these items in accordance with changes in gross revenues, so as to prevent recessions in gross from being equally reflected in net. When certain of these types of improvements are classified as Additions and Betterments, they add to valuation, and do not diminish annual earning power.

It has been urged that the upward movement of the rails will be counteracted by the 5¾% maximum earning provision, on property investment, after which figure the government has residuary claims. It must not be forgotten that there is an amount of over one billion acting as a potential offset, and that there are grave valuation questions to be settled, before such provisions can become operative. It would be more nearly true to say that reproduction cost will be taken as a basis, and that 7% and not 5.75% will be permitted on that valuation. Many utility companies are permitted 8% as a fair return, in the several states.

Other not to be forgotten assets are non-railroad properties such as land holdings, oil districts, coal mines, etc., owned by the rails, and not yet distributed by them. Such segregations have been taken into account in our table of future values.

A contingent benefit will result from the reduction in the rate of interest on loans made to the rails by the federal government, from 6% to 4¼%, and the extension of amortization period. This will galvanize into new life such roads as New Haven, St. Paul and Boston & Maine.

A further benefit, often overlooked, is the possibility of stock distributions. Many railroads are investment trusts, as well as railroad operating companies, and their stock-

(*Please turn to page* 188)

Long Range Possibilities of Twenty-Six Railroad Stocks

Estimate of future worth valid for long pull only, irrespective of intermediate prices. Estimate based on factors affecting rails intrinsically, and upon basic market position.

	Highest price 1901-14	Earned per share, 1925	Recent price	Dividend	Yield %	Estimate of maximum market value within two years
Atchison	125	$17.19	$130	$7	5.38	180
Atlantic Coast Line	170	26.60A	200	7B	3.50	250
Baltimore & Ohio	125	12.14	88	5	5.65	125
Boston & Maine	209	6.92	50	..	....	100
Canadian Pacific	283	12.52	157	10	6.37	170
Central of New Jersey	395	13.11	265	8B	3.02	450
Chesapeake & Ohio	92	21.32A	125	8B	6.40	150
Chicago & North Western	249	6.35	72	4	5.55	90
C. C. C. & St. Louis	73	23.19	225	7	3.11	250
Delaware & Hudson	240	11.55	161	9	5.60	260
Delaware, Lackawanna & Western	340 C	8.50	136	6B	4.40	150
Erie	52	3.71	32	..	....	50
Great Northern Preferred	348 D	8.54	73	5	6.83	100
Illinois Central	184	12.75	120	7	5.83	150
Lehigh Valley	121E	6.64	82	3.50	4.25	100
Louisville & Nashville	170F	15.98	125	6	4.80	150
New Haven	255	4.72	36	..	....	55
Norfolk & Western	122	18.67A	147	7	4.75	175
Northern Pacific	232G	7.24	71	5	7.00	100
New York Central	174	12.67H	124	7	5.65	175
New York, Chicago & St. Louis	76K	16.07A	160	6B	3.75	225
Pennsylvania	85	6.23	51	3	5.85	70
Reading	89I	10.25	86	4	4.65	125
Southern Pacific	139J	10.24	100	6	6.00	140
Southern	42	16.32	111	7	6.28	140
Union Pacific	195	15.41	147	10	6.80	180

A—Earned more than 5.75% maximum allowance. B—Not including specials. C—Split-up and stock dividend since. D—Included Gt. Nor. Ore Ctfs. E—Segregation since. F—62½% stock div. since. G—Does not include panic day, May 9, 1901. H—Does not include subsidiaries. I—Segregation since. J—Pacific Oil dividend since. K—Old Company.

The Ingenuity of American Business Men

How They Take Up the Slack in Their Business

By GEORGE TUFTS

HOW strongly the forces of evolution are at work, in the field of finance, is not always realized by investors. Yet here, more perhaps than in other phases of human activity, changes are frequent. This is particularly notable in the United States. American business men have long been energetic. In recent years they seem also to have broadened their vision, and to have developed a resourcefulness that can be relied on to make headway in one direction if not in another.

Because it has an important bearing on the industrial outlook, this characteristic should not be ignored in weighing such factors as the prospects of foreign competition, obsolescence of present methods and facilities, excessive capacity for production, and various other problems that anyone pessimistically inclined can readily detect or foresee. Side avenues of escape from what appeared to be baffling dilemmas have already been found, and are being profitably developed, by a number of corporations that keep step with the march of progress.

How Leading Companies Have Expanded Their Activities

	Basic Business	Added Lines of Activity
Amer. Bosch Magneto	Auto. Accessories	Radio Accessories
Amer. Car & Fdy.	Railroad Cars	Motor Buses; airplane engines
Amer. Tel. & Tel.	Telephone	Wireless Transmission
Anaconda Copper	Copper Mining	Copper & Brass Manufacture
Bethlehem Steel	Steel	Shipbuilding
Crucible Steel	High-grade Steels	Loco. Repairing
Gas Companies	Gas for Lighting and Heating	Gas-fired Refrigeration
General Motors	Autos and Trucks	Iceless Refrigeration; Dental Apparatus, etc.
Int. Paper	Paper	Water-power
Savage Arms	Firearms	Refrigerating and Washing Mach.
Stewart-Warner	Auto Accessories	Radio Accessories
Street Railways	Trolley Transportation	Bus Operation
U. S. Steel	Steel	By-products, Coke
United Cigars	Retail Tobacco Distribution	Retail Candy, Razors, Etc.; Real Estate
Western Union	Telegrams	Burglar Alarm
Woolworth	5-10-cent Stores	Real Estate
U. S. Distributing	Trucking	Coal; Armored Cars.

Courage, alertness and adaptability do not guarantee, of course, that a corporation's new ventures will prove profitable. In the long run, however, an investor's interests are better protected by a wide-awake management, seeking to make the best of its opportunities, than under an administration deficient in enterprise or lulled into apathy by past successes. The progressive type of company is likely to reap the reward of its labors even though it may eventually find itself in a different business than that which it was engaged in originally.

Among other factors, the need of an outlet for surplus capital has played a part in the increasing tendency of American companies to extend their activities, develop inventions, acquire side lines or branch out into new fields. *American Car & Foundry* is an example. This company wisely conserved the profits that it made during the war and the subsequent boom. With no bonded debt and a working capital of 37.1 million dollars, last year, the management decided that it had more money than it was likely to need in the equipment business. The soundness of this view has since been demonstrated. Less than 100,000 freight cars were ordered by American railroads in 1925, or little more than half as many as in 1922.

Business of the usual sort, that is, was scarce for builders of railroad cars and business is one thing that a manufacturing company needs. A strong financial position, in itself, will not roll up dividends. Car & Foundry, accordingly, turned to a field with an extremely promising future—motor bus manufacture. American Car & Foundry Motors Company, a subsidiary of the recently organized Brill Corporation, is already producing at its Detroit plant about 100 buses a month. The output includes, also, 150 marine engines a month and 25 airplane engines. It is confidently hoped that the profits from these and other Brill activities will exceed the dividend requirements on Car & Foundry's 30 million dollars of preferred stock, leaving all earnings from the ordinary car business available for the common stockholders.

The problem thus solved—that of utilizing surplus capital—was a somewhat unusual one. Many concerns have little money to spare. Others, like Mack trucks or S. S. Kresge, have such opportunities for growth that no matter how amply they are financed, they can use their funds along present lines. Excessive plant capacity, however, offers a problem that is not uncommon among manufacturers.

During and after the war, plants and facilities in many lines were extensively enlarged. Demand for goods had reached a scale that it seemed almost impossible to satisfy. Later, producers faced a combination of high labor costs, heavy investment in machinery, etc., a constant burden of taxes, interest and administrative expenses, and decreased demand for the products despite reduced prices. With keen competition intensifying these conditions, some manufacturers found it difficult to operate profitably at full blast the year through on their main lines, and in order to help out on the overhead were led to take up other activities. A similar problem confronted manufac-

turers of goods for which there was an uneven or seasonal demand.

Stewart-Warner Speedometer, manufacturer of an extensive line of automobile accessories, solved this problem neatly by adding a radio department. Demand for radio products also is seasonal but reaches a peak when automobile production is at the low ebb of the year. The corporation obtained a license covering the radio patents controlled by the United States Navy Department. Manufacturing and marketing results have been highly satisfactory. The earnings per share last year, $12.57 against $5.84 in 1924, reflected exceptional profits in the final quarter, due to the demand for the corporation's radio sets, horns and vacuum tubes. Through a subsidiary, incidentally, Stewart-Warner has become also a large producer of furniture casters and hardware.

From similar motives, *American Bosch Magneto* took up the manufacture of radio receiving sets and loud speakers, selling more than one million dollars' worth of these products during the final quarter of 1925. As a result, net profit for that quarter was $225,000, or more than $60,000 above the second quarter, which is normally the best. Earnings for the whole of 1925 were $521,393, against $107,626 for 1924.

Another company that may be mentioned in this connection is *Brunswick-Balke-Collender*, originally a manufacturer of billiard tables and bowling alleys. After adding phonographs to its output the company made an arrangement with the Radio Corporation of America whereby radio equipment is combined with a phonograph and sold as a unit. When artists are recording in the Brunswick laboratories, the Radio Corporation has the privilege of broadcasting the performance through its wireless station and those of Westinghouse Electric and General Electric.

In much the same way that radio takes up the slack for automobile accessory makers, the recent development of gas-fired refrigerating machines promises to create a summer demand for gas offsetting the otherwise excess capacity that must be maintained for gas heating in winter. Vaporized by a small gas engine which can be placed on top of an icebox, liquid ammonia provides the cooling element. The engine is silent, motionless, more reliable than some of the electrical devices and costs less to operate. Its increasing use is expected to enable the companies, also, to reduce rates on gas for house heating. George B. Cortelyou, president of *Consolidated Gas of New York*, has declared this to be a development of primary importance, indicating that an appreciable share of iceless refrigeration can be obtained by the gas industry.

Many gas companies, it may be noted incidentally, distribute electric current also and some, such as *Consolidated Gas of Baltimore*, derive most of their revenues from electricity. Profits are also obtained from by-products such as tar.

Many more examples of the resourcefulness of American corporations could be cited. Some of these have been incorporated in the accompanying table.

Though circumstances vary with each case, the predominant influence is the desire of leading managements to operate their businesses at the highest possible degree of efficiency. The head of a company today realizes more than ever his responsibility to his stockholders and to the employes. Under conditions of the acute competition which prevail today, these responsibilities have grown keener. Naturally, their problems have grown in proportion.

One of the great problems has been to level off the peaks of plant activity. There are still numberless plants which are occupied at good rates for comparatively brief periods during the year and which have to curtail producton as soon as the demand for the product falls off. In order to avoid the embarrassing results of such a situation, many companies have devised methods whereby they use their plants for manufacture of side-lines. This tends to keep operations at a normal and, therefore, profitable basis.

Of course, the addition of old-established companies in new fields tends to increase competition in those fields, which had not existed previously. Hence, from the broader economic viewpoint, the question may logically be raised whether progress may not go too far. In answer to this, however, those who take a more optimistic view of this situaton point out that as heretofore the more competent and efficient companies will get the business and that competition tends to keep prices low, thus placing vast quantities of merchandise within reach of the buying public.

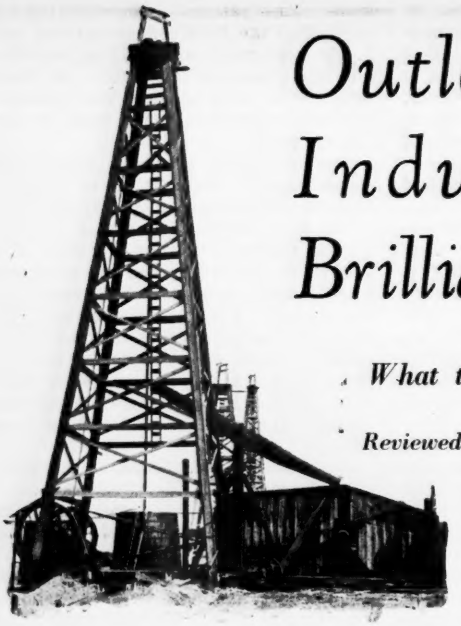
The individual company, of course, cannot concern itself with the broader aspects of competition and must trust to its own ingenuity and skill in producing where it will, at a profit. On this score, the larger and more experienced companies, of course, have the advantage. When a big company like Stewart-Warner reaches into the radio field, it simply makes it harder for the small and weaker companies in that field. It does not necessarily mean that Stewart-Warner will have a hard time of it.

The shareholder, of course, is mainly concerned with the progress of his company. In the final analysis, he is interested in earnings and dividends. If his company finds it necessary to expand its activities in some unrelated or partially related field, he should realize that this is a constructive step.

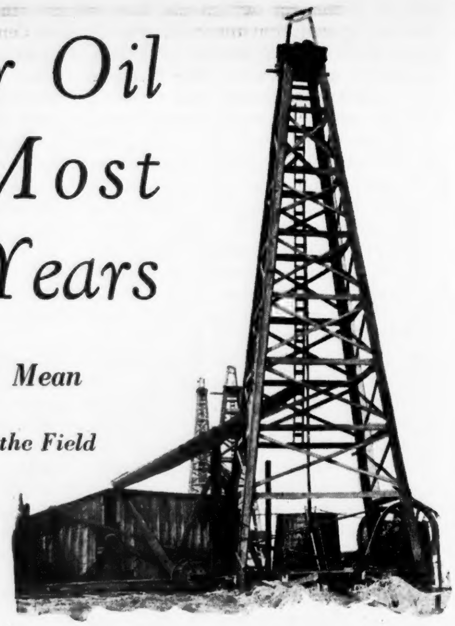
Side line ventures, however, may sometimes prove unprofitable. The case of *Atlantic Gulf & West Indies* at the expiration of the war is a classic example. This company, which had made fabulous profits during the war, unwisely expended a great part of them in going into the oil business. Without going into the details, the investment seems to have proved most unfortunate and resulted in seriously weakening the company for a long time. Thus, expansion may work two ways.

There will thus be a certain percentage of failure attending new ventures, but this is inevitable on account of the inherently speculative nature of business itself. Still, without enterprise no business can succeed, whereas the American business man with even an ordinary amount of ingenuity may logically entertain the hope that by hard work and progressive policies he has a chance of winning. At any rate, this is the policy employed by our most successful corporations.

Keeping 'em going strong



Outlook For Oil Industry Most Brilliant in Years



What the Recent Mergers Mean

Reviewed by Leading Experts of the Field as Reported to a Member of the Staff of The Magazine of Wall Street

THE petroleum industry, like its major products, is rather volatile and for this reason readily adapts itself to changes that are essential in overcoming the many obstacles that have confronted the industry in the past. For the thirty years following the discovery of oil in Pennsylvania, the tendency within the industry was for concentration in control, a movement that culminated in the dissolution of the so-called Standard Oil Trust in 1892. For the next thirty years, decentralization played an important part in the advancement of the oil industry, mainly by encouraging development of production on a wide scale. This era culminated in near-demoralization of the oil business in 1922-1923 and the industry has started to swing back to concentration of control.

This tendency toward concentration has gained much impetus through the mergers of a number of the larger petroleum companies within the past six months. The industry is now on the threshold of a new era, in which the prosperity of the companies will be governed by different factors from those which determined the fate of the chief units in the past. Formerly, the advantage was held by companies which had large refining capacity and a territorial control over distribution. *In this new era, the advantage will be held by the companies which have large production capacity.*

Companies such as Standard Oil of New York, Standard Oil of California and Atlantic Refining, which have been dependent on their ability to purchase crude in order to keep their refineries running, have substantially fortified their position in this respect through recent mergers. The motive behind practically all of these mergers has been first, to obtain control over production, and second, to forward the movement for conservation of our future oil supply, which is the way the industry describes the return to concentration of control in the oil business.

In the same way that the new era of the oil industry opens up wider opportunities for its principal participants, it also presents new problems. The chief difficulty that oil companies had to contend with in the past was to govern the output of crude to the limits determined by consumption. This is still a problem but its importance is diminishing year after year ever since the last "petroleum flood" in 1923; and it is gravely doubted by oil men whether the country will ever witness such a spectacle of cheap oil flooding the country as resulted from California's gushers in that year.

Since the war, certain physical transitions have taken place within the petroleum industry which have had the effect of taking most of the industry's problems off the hands of the oil producer, placing them squarely in those of the refiner. The nation's refining capacity has been expanded very largely during this period, due to the fact that many of the erstwhile "exclusively producing companies" rounded out their activities by installing refining processes to insure a better price for their output. At the start, the refined products from this source were distributed through the wholesale trade, but later many of the independents entered the field of retail filling station sales. In addition, the old line refining companies have also added to their facilities within recent years.

Present Situation

At the present time, the total refining capacity of the oil industry is uncomfortably close to consumption limits, and mounting gasoline stocks to a round figure of two billion gallons—a record figure in the history of the industry—have resulted in spite of the fact that the full refining capacity has not been called into operation. The current abundance of gasoline stocks is decidedly a situation of the moment, brought about to a very large extent by the late arrival of good motoring weather this spring. A normal secular trend of an annual increase in gasoline consumption of about 10% a year, however, is calculated to ease the refining situation.

Although the ratio of refining capacity to consumption is not unwieldy, the rate of expansion of refining equipment of the industry in contrast to the decline of production has set farsighted oil men thinking. How will the individual company with an excess of refining equipment to production fare in the next few years? The industry is beginning to realize that such companies will occupy a weak position. As long as competitive drilling activity keeps an over-abundant supply of crude oil for sale above ground, the refiner is sitting in the driver's seat—but in a period of declining production (as at present) or when production holds to an even keel with refinery demand for crude increasing (as seems likely for the future years as far as the domestic supply is concerned) the producer holds a position of increased importance.

All the mergers within the past six months have had one characteristic, namely, they have been effected between one company essentially a refiner of petroleum and another which is largely a producer of the crude. The consolidated company, therefore, obtained a more perfect balance between its need for crude and its own supply of crude. In effect, these mergers fortify both former companies against lean years both so far as crude supply or its profitable use is concerned.

The earliest of these mergers enabled Standard Oil of Indiana to balance its excess of refining equipment and sales facilities with the crude supply of Pan-American in Mexico as well as the latter company's tremendous potential

output in the Maracaibo basin of Venezuela.

Likewise, Standard Oil of California, after fruitless search for oil in Alaska, South America, the Orient and elsewhere, obtained control of the tremendous reservoir of crude underlying Pacific Oil's California leases, by taking over that company.

Standard Oil of New York was the last of the extensive refining and sales companies without one single well of its own production before it took over Magnolia and later General Petroleum.

The Tidewater-Associated merger resulted in a better balance between crude supply and refining equipment than Tidewater previously enjoyed and in addition placed the new company in a much more advantageous position geographically to market its products in many parts of the country, leaving the way open for future acquisition of additional production which has already been hinted at by officials of the new company.

Two other important mergers which are understood to be under negotiation at the present time, namely, Atlantic Refining Company and Marland Oil, and Texas Company with Phillips Petroleum, have the same characteristic of a refiner merging with a producing company.

After reviewing these facts, it becomes quite evident that, despite the comments of some of the critics of the recent mergers, the companies which acquired producing property through mergers have obtained this production on the basis of sound value. The theory, that the valuation of the producing was generous, is due to a large extent to the fact that in some cases the producing unit previously could have been obtained cheaper. This is no reflection on sound value, however.

To point to a concrete example, General Petroleum was worth more to Standard Oil of New York above 60 than it was when it was selling under 40 in view of the situation of the California producers existing at the time General Petroleum shares sold on the lower basis.

The Standard Oil officials are characteristically good bankers—not gamblers—and it is quite likely that they obtained the best value at the higher basis of exchange. The value of a producing company is determined largely by the price structure that exists or lies in the future for the various grades of crude. The fact that these acquisitions were made in a rising market is a bullish argument for the merger companies, especially in view of the greater probability of further advances in the price of crude than near future reductions.

By way of comparison, Standard Oil of Indiana obtained the "best bargain" in its acquisition of Pan-American's eastern properties, but this was due largely to the manner in which the control of the latter company changed hands and the financing in connection with the consolidation. Standard Oil of California obtained control of Pacific Oil on a very good basis, but here again the cash consideration for its holdings of Associated Oil was a factor. Tidewater's acquisition of Associated was partly cash and partly exchange of stock, but the valuation in either case was certainly not excessive when the increased importance of production to a company with an excess of refinery equipment over its own crude supply is considered.

The same consideration makes the Standard of New York-General Petroleum merger a sound proposition so far as intrinsic values are concerned and the pending Atlantic Refining-Marland Oil merger would fall into the same category on the reputed basis of two for one. It is reported that one of the obstacles so far reached in the Texas Company-Phillips Petroleum negotiations is the price set by the Phillips interests. The present output of crude and casinghead gasoline of Phillips would be an ideal supplement of Texas Company's operations, and it is not unlikely that a compromise will be reached that adequately reflects Phillips' strong position as far as production is concerned.

The activities of the larger petroleum companies for the past few years have been pointing to a series of mergers such as have been recently witnessed. As the smaller companies have continued to build their own refining plants, the large refining companies have on an even more extensive basis widened their control of crude oil production. This step was accomplished through drilling agreements, purchase of acreage from independent operators, acquisition of smaller companies as well as a reversion to exploration of a nature that in past days was called "wild catting."

Thus, Venezuela, by all former standards would still be judged a "wild cat" proposition, but there is hardly one important petroleum company that is not represented in this field either directly or indirectly. The necessity of obtaining production becomes increasingly important, and looking ahead a few years it may ultimately determine whether or not the refining companies will continue to obtain an adequate income from their investment in plant and equipment.

The recent mergers merely represent on a much larger scale a tendency within the industry which has been going on for the past few years without much public attention or interest. After Standard of Indiana "broke the ice" all of the other large companies began to follow suit. The centralization of control in other lines of industry encouraged this tendency.

From the stock market standpoint, one of the outstanding features of the oil mergers is the comparative absence of speculative interest in the shares of the companies to be merged. The increased earning power of the consolidated companies resulting from economies in operation appears to be largely overlooked in the appraisal that investors and traders have put on the shares of these companies.

Government opposition to consolidations of competing companies has been a decided wet blanket on the speculative enthusiasm that usually arises from a series of mergers in any industry. However, the present Administration has voiced some alarm concerning the nation's future supply of petroleum and is encouraging oil men to limit the amount taken out of the ground as nearly as possible to actual need. Co-operation between oil companies to this end is looked upon by government officials as an essential part of any comprehensive move for conservation of the petroleum supply. Under these circumstances, it is not likely that government opposition, hinted at in an earlier stage of the game will embarrass any of the present or pending consolidations.

Thus, the oil industry appears to be entering an era of prosperity. Although, in retrospect, one recalls that the seemingly prosperous outlook for the oil companies in the past has been rudely and suddenly thrown into chaos by unlooked for pools of crude which flooded the market. The present outlook, however, appears to be without any single important "fly in the ointment." Hence, the best securities in the field may be considered attractive at this time.

Eight Oil Stocks with Good Prospects

Name	1925 Earnings $ per share	Ratio of Earnings to Recent Price	Dividend $ per share	Price	Yield %
Standard Oil of Cal.	3.25	6.0%	2.00	54	3.7
Marland	8.38	15.5	4.00	54	7.4
Phillips Petroleum	6.46	14.7	3.00	44	6.9
Pan American B	9.57	14.9	6.00	64	9.4
Tidewater-Associated	3.00*	13.0	[1]1.20	23	5.2
Union Oil of Calif.	2.78	6.2	2.00	43	4.7
Standard Oil of N. J.	4.72	10.7	1.00	44	2.3
Sinclair Consolidated	1.01	5.0	...	20	..

*Estimated. [1]—Directors have announced decision to pay div. of $1.20 a year on new stock.

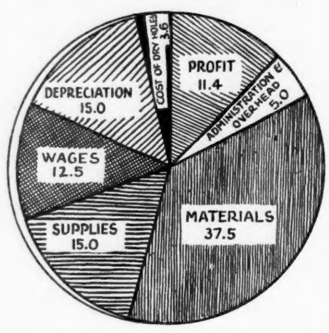
Vital Phases of Important Industries

The Railroad Dollar

SOURCE: BUREAU OF RAILWAY ECONOMICS

Raw Material Used By Electrical Refrigerating Industries in 1926 (est)

Lumber	30,000,000 FT.
Copper	30,000,000 LBS
Cast Iron	30,000,000 LBS
Angle Iron	20,000,000 LBS
Sheet Iron	6,000,000 LBS
Lead	15,000,000 LBS
Tin	500,000 LBS
Freight Cars Transporting Raw Materials and Finished Products to and from Factories	20,000



The Oil Dollar

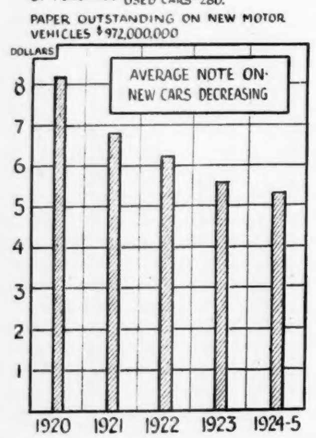
SOURCE: OIL TRADE

Automobile Retail Financing

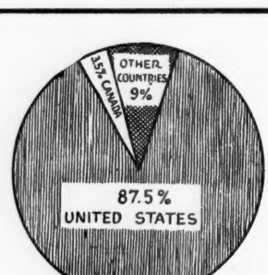
75% OF AUTOMOBILES PURCHASED ON INSTALMENT PLAN

AVERAGE NOTE GIVEN AT TIME OF PURCHASE NEW CARS $528 USED CARS $280.

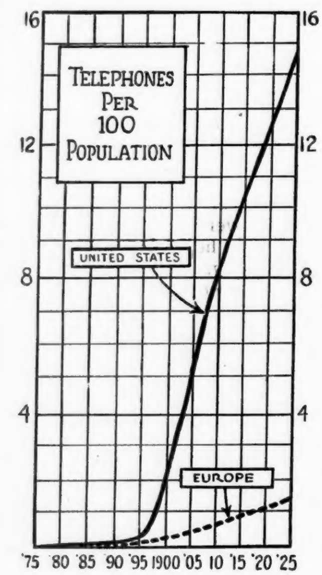
PAPER OUTSTANDING ON NEW MOTOR VEHICLES $972,000,000

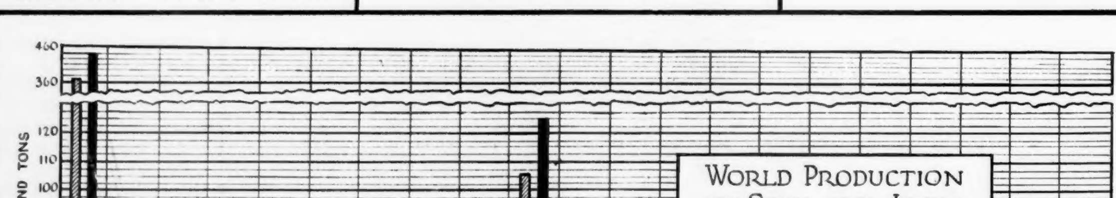


SOURCE: NAT'L. AUTO CHAMBER OF COMMERCE



World Automobile Production — 1925





The First of an Important Series of Articles

Problems of the Average Business— And the Remedy

Analyzing the Causes of Business Failures—Importance of the Human Factor—What Is the Solution?

By JOHN F. SHERMAN

KNOWING how not to do it may not seem on the surface to be a particularly impressive accomplishment, especially to the American temperament, surging with energy and restless initiative. We reserve our warmest applause for the man who goes out and does it. When we start a new enterprise, we think much more of the hope of profit than of the possibility of loss. We call the banker "cold" because, feeling a keen responsibility for the trusts reposed in him, he has schooled himself to face the gritty facts as well as the oily ones. The rank and file of non-banker business men, temperamentally are prone to classify their information as either the product of optimism or of pessimism. "Well, he's just a calamity-howler!" is the common expression in dismissal of evidence that everything is not as it ought to be, industrially or commercially. But when a particularly smooth and encouraging piece of information is printed, the sound judgment of the gentleman responsible is loudly acclaimed.

A considerable share, therefore, of our accumulation of data on how it has not been done becomes of no avail because our national disposition is to forget the failures. We are optimists. We carry our optimism to the point of consistently choosing from the increasing welter of facts, near-facts, figures, statistics, charts, graphs, estimates, forecasts, prophecies and the rest, those tags and straws of data which match our complexion or feed our hopes.

THIS article is the first of a series of four, written by Mr. John F. Sherman, president, Sherman Corporation, Engineers. As one of the country's best known industrial engineers, he is eminently in a position to discuss the factors which go into making business a success or failure. This article serves as a general introduction to a detailed survey of what's wrong with business. The remaining articles will deal with important factors entering into the reduction of profit margins and business failures generally, and will be concluded by a presentation of the available remedies.

The Essential Facts

From a common-sense, non-statistical point of view, there are two groups of essential facts regarding business and industry:

(1) Facts indicating that it has been done:

(2) Facts indicating that it has not been done.

And of greater importance to the executive than either of these groups of facts is the "why" of both. Business needs an unflinching temper of mind which examines into causes. Every effect has a cause. If profits are decreasing, why? If profits are increasing, why? If competition is becoming the death of trade instead of its life, why? If we waste in producing goods as much as the profit on the manufacture and sale, why?

By finding causes, we will be able more intelligently to devise the right remedies.

The growth of medical science offers a pertinent analogy. Medicine in the last three decades has contributed more and more to common comfort and well-being by just such a relentless search for causes; their isolation, and the discovery, not so much of local treatments which will ease effects, but of the right means of prevention. Malaria, for example, has been cut down, not because of charts and statistics showing that three million people annually have suffered from the disease, but because the basic source of malaria was located in the anophales mosquito, and sound remedial treatment then devised.

Industry and business need this sort of preventive treatment which is soundly premised on discovered causes.

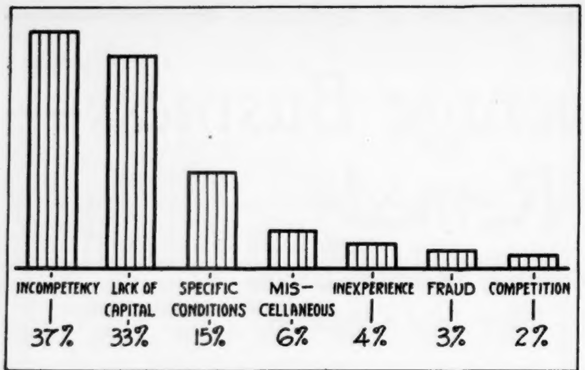
And the problem is larger than business or industry. Ours is an industrial civilization. Every civilization contains within itself the seeds of its own dissolution. Not only the welfare of organizations but the individual welfare of every man, woman and child in the United States is bound up with the solution of the problems that confront industry. The development of a business and industrial X-ray which will reveal basic conditions and causes, and the growth of a "preventive medicine" in business and industry will confer benefits upon every individual.

For every business failure is like a stone thrown into a pool; its circles are ever-widening. Stockholders suffer; executives suffer; the wage worker has to look for a new job; the community's health is vitiated. If sound diagnosis and proper treatment avert failure and develop success, paying profits, resulting in continuous employment, individuals and groups entirely outside the business itself, conversely, are advantaged.

Information—What of It?

Never has there been so much information at the disposal of the executive. Much of it, however, has about the same relative value in revealing basic causes underlying industrial progress or retrogression as an almanac bears to the causes of sun spots. Business needs to look to the *quality* as well as the *quantity* of its information, and then assay it; apply the engineering type of scientific analysis to it; use it not as having worth in itself but as containing clues to the Why of the How.

A manufacturer who has been signally successful uses a little chart on the back of his visiting card to guide him in his purchases of raw material. The chart has saved him thousands of dollars. It is not elaborate, but it has the essentials. It gets to the bedrock of his raw material

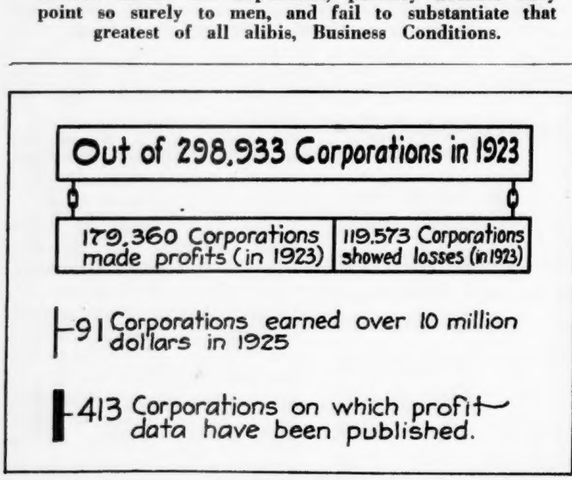


GRAPH NO. 1

ANALYSIS OF FAILURE CAUSES

(Based on Bradstreet's 1925 facts)

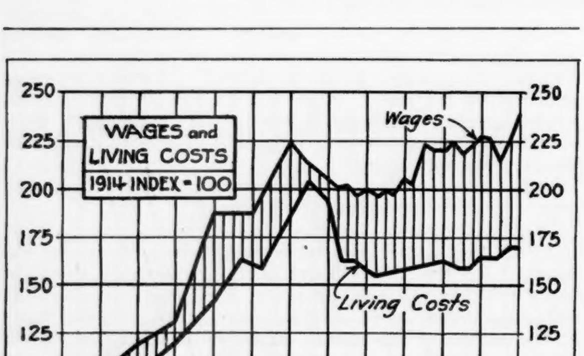
Failure causes are unpleasant, possibly because they point so surely to men, and fail to substantiate that greatest of all alibis, Business Conditions.



GRAPH NO. 2

91 AND 413 COMPARED WITH 298,933

The fact that such numbers of individual business units as 91 or 413 report increasing net profit is not necessarily optimistic for it is well to know what proportion of the total is represented. If some one asks you, "How do you feel?" you do not answer his question by telling him that you have some healthy neighbors.



GRAPH NO. 3

Wage dollars mean increased buying power, but every dollar has two sides, and the reverse side of the wage coin is that it means cost-to-produce, and the manufacturer must receive full value for the increased wage dollar.

problem. He uses all the information he can get, but he has never allowed it to befog the factor of cause and effect upon which the chart is based. The owner of large publishing properties scattered all over the United States, involving millions, carries the picture of his vast organization on one sheet of a pocket memorandum book.

"How's Business?" a phrase used as often as any other combination of words in our language really means. "How are *you* doing in business?" and is a specific, individual question. General information does not answer it any more than a man answers the doctor's inquiry as to how he feels by describing the state of health of his neighbors.

A doctor would do little good to mankind by asking everyone he met "How do you feel?" and then tabulating the answers. He might accumulate a vast amount of data, but it wouldn't mean anything. Instead of such a superficial method, the medical man examines a patient to find out what is wrong. He makes an individual diagnosis. And in order that his diagnosis may have value, medical science utilizes every possible means of getting fundamental data on causes. Why is So-and-So healthy? Why did So-and-So die? The post-mortem steps in to ascertain the cause of death. An individual can't drop dead carelessly in a civilized country without coming within the analytic purview of science. But a business can curl up and be gathered to its fathers without a very extended effort to learn from the fact its causes. Failures are unpleasant. They are not a favored topic of conversation. The general tendency is to consider the less said about them the better. Yet there may be great usefulness in knowing why Smith & Company crashed. The reasons may constitute the charting of new rocks and shoals along the channels of business.

We have reached a stage where it will be disastrous to continue refusing to admit into our business and industrial world only those facts that are pleasant. The necessity of studying mistakes and failures as well as successes; of analyzing unsuccessful as well as successful procedures has been seen here and there by an individual company.

Study of the causes of failures as analyzed by Bradstreet's each year is always a wholesome tonic. Failure facts, as these analyses demonstrate, link up with human facts, with the degree of intelligence exerted by management, with the power to readjust viewpoints and methods. These cause-of-failure facts prove the hollowness of the alibi that business conditions are the cause of poor business. They are attendant circumstances, that is all. The two largest individual causes, as per the graph reproduced herewith, which is based on Bradstreet's 1925 analysis, are *incompetency* and *lack of capital.* And lack of capital may very well resolve itself, in many instances, into a lack of ability to control capital.

The history of an individual corporation, in all its intimate details, is a possible source for the guidance of the corporation which has been recognized, and in a number of the best-run companies in the country is being written with painstaking accuracy and scientific impartiality. Such a history, of course, comprises mistakes as well as successes; records why this policy succeeded, or the other failed; puts down the personal sidelights, and, all in all, constitutes a thoroughly useful document. One president of a large eastern manufacturing company, whose profit position, incidentally, has steadily grown stronger during the past decade, says that at every meeting of the board of directors this historical record is called for and utilized.

This type of emphasis balances the need for understanding general conditions, with an intensive consideration of motives, personalities, and other elements which are a vital set of factors: Qualitative as well as quantitative analysis. You cannot understand the ocean by the most exhaustive measurements of tides, distances and depths; you need also to analyze its primary constituent, water.

The primary factor in business is human personality and the most exhaustive economic information that can be compiled will not give the answers to the industrial problems which press for solution, until the human equation is added to the data book.

It is in certain aspects of this human factor, therefore, that one finds the key to a good share of what is wrong with current business and industry.

"Much of the experience of my active business lifetime," an executive said recently, "has been made worthless by changes in fundamental conditions."

During the pioneering days of industry, profits were large. But industry has a comparatively recent remembrance of inflated earnings, due to war-time conditions. Nineteen twenty-one guillotined scores of concerns which had been treading a primrose path of unlimited expansion and easy profits. The swift reversals of that year produced repercussions throughout the enterprises which survived and swift readjustments were forced.

Profit margins have consistently narrowed. *In* 1923, *the* 298,933 *corporations doing business in the United States,* 40%, *or* 119,573 *corporations made no profit and sustained an aggregate loss of over two billion dollars, an average of approximately* $17,000 *each.*

The fact that in 1925 the number of ten million dollar earners increased to ninety-one as compared with seventy-five in 1924, sixty-nine in 1922 and thirty-two in 1921 is scant comfort for the thousands of individual concerns not appearing in the picture. Business health is dependent upon the number of individual units through which a healthy condition prevails. The facts of the ninety-one big earners and the other statistics of profit, such as recent study showing a growing profit strength on the part of slightly over four hundred large concerns, from the point of view of the number of corporate units concerned are not conclusive proof. At the top of our industrial state are a few large and prosperous companies; at the bottom are the wrecks, the dregs, but the condition of the "sound brew in the middle" is of major importance in a thorough analysis.

The thousands of concerns in the great middle group are faced with the urgency of further fundamental readjustments of viewpoints, attitudes, methods, standards, to assure a continued existence in a world where not only profits are difficult to make, but other major conditions perplex and bewilder.

The business man who fails to analyze the reasons for the success or failure of his business is likely to find himself at a very great disadvantage with his competitors. Business men will learn, if they follow the best examples, that it pays to be critical and that careless optimism may lead them into mischief. Read this article and see why!

In the elder days, if you could make an article you would find a relatively responsive market. Workers were willing and in relatively close contact with the management. Today, we are in a new era, psychologically and economically.

Today, the industries which make necessities are watching with envy and amazement the prosperity of industries engaged in producing and marketing luxuries. We live in the age of silk. The consumer is king. The makers of shoes are in constant distress over the kaleidoscopic changes in style. Buying whims and preferences are eagerly studied. A manufacturer of shoes lunching in the Biltmore noticed an unusual style of street shoe on a woman at the next table. He sketched it on the back of the menu card, rushed over to Grand Central, boarded a train and in four days samples of the new "hit" were being rushed to salesmen.

Simply organized hand and home industries, in the past, kept pace comparatively easily with whims; nowadays whims and fancies mean re-gearing a complex industrial machinery to new patterns. New jigs, new dies—a comprehensive readjustment of a highly mechanized establishment makes it no holiday matter to keep step with such changes.

Consider the market evidences of the change which is the central fact of present-day conditions. No longer will jobber or retailer carry the bag for the manufacturer. He gets orders in small lots where once he was able to sell by the carload. Turnover is the key to modern merchandising. A great department store's buying machinery is like an immense water-wheel, ceaselessly turning, and when the bucket arrives at the loading point, goods must drop into it promptly. Quick delivery, quality and selling price all have been brought up to more exacting standards for the manufacturer and he must meet those standards or suffer loss of market.

And the human element in industry, which its growing prosperity and higher wages, offers a bewildering complexity of changes. In 1914, United States statistics of manufacturing establishments in certain of the major classifications, showed 272,518 individual establishments, employing 7,023,685 wage earners whose annual wages were $4,067,718,000. In 1923, there were *over* 75,000 *fewer establishments.* The number of wage earners had increased by only 24%, while the aggregate wage had increased to $11,007,222,000—over 160%.

There are two faces to a coin and there are two ways of looking at this well-known fact. Increase in wages means increased purchasing power and broadened markets, but if increased wages do not buy increased effort, that is something else again. Industry's well-being rests upon the degree of value received which individual companies get from their expenditures. An upset of any alignment of economic values creates an unsound condition, as in the instance of the farmer's dollar being out of line with the commodity dollar not so long ago, with its consequent hardships to agriculture. Industry's wage dollars are not only possible consumers' buying dollars; they are cost dollars to industry. A major readjustment is required to see this fact, in all of its implications, and to search for the causes of the margin of loss in the payroll dollar and remove that margin.

What to do about it is our biggest present-day problem. We need the vision to see business and industry and see it whole, not as sales-minded executives, nor as finance-minded executives nor from any other narrow, exclusive viewpoints, but having due regard for the whole organic structure. The scientific viewpoint is urgently demanded; the temper of mind which sees facts as effects for which there are specific, determinable causes and remedies.

Expedients, surface-treatment, poulticing will not do the big job of preventive business medicine. For example, in the face of competition, declining profit margins, reduced surpluses, an overcapacitation of industry production-wise —and the many other characteristics of the changed orders —it is obvious that costs should be trimmed. But a cost-reduction program cooked up on the spur of the moment without due regard for psychological fundamentals as well as for economic factors is in danger of becoming a penny-saving process; a saving at the spigot and a wasting at the bung. The cutting of wages of employees is typical of these eagerly-welcomed expedients. While considering the saving of pennies by the reduction of earnings of wage-workers, is it not well to use the policy of "seeing things whole" and trim also the tree at the crown where it easily becomes top-heavy, removing the large, proportionately unproductive salaries of an over-staffed management! Is it good horse sense to deliver a lecture on co-operation to the employees at two o'clock and at three pick up the golf bag and leave them to their devices?

And while analyzing the pros and cons of wage reductions, is there not a possible means of increasing the proportionate value-received on the wage-dollar, for analysis has demonstrated that wage reductions frequently increase rather than decrease the unit cost of production. The primary step in a sound treatment of such problems is a readjustment of management mind and viewpoint; the inclusion in the picture of hard facts as well as soft ones.

Note: This is the first of a series of four articles by Mr. Sherman. The second will appear in the June 5th number.

BONDS

The New Bond Buyers' Guide

Changes in List Made Imperative by New Conditions in the Investment Market—Several New Features of Commanding Importance.

THOSE who have been using the Magazine of Wall Street during the past four or five years are quite familiar with the remarkable record of this department. Errors in judgment have been so few as to have been practically negligible. The new Bond Buyers' Guide, we believe, will have just as good a record over a broad period. Most of the issues in the old Guide have been retained but the list has been greatly strengthened by weeding out the more speculative bonds and the addition of a number of exceedingly attractive issues. The new Guide, furthermore, in respect to the interesting statistical information given, deserves close attention by investors.

AMONG the more valuable of the fixed departments of THE MAGAZINE OF WALL STREET, the Bond Buyers' Guide has held front rank. Since the revival of bond prices in 1921, it has consistently paved the way to bond profits and has a record of having shown larger gains among its recommendations than was true for the bond market as a whole. While there has been a constant bull market in bonds, with but few recessions, since 1921, it does not follow that anybody could have guessed right automatically. Many speculative bonds have fallen by the wayside, and many of the standard bonds have made far less progress than was expected of them even by students of the field. Hence to have given profits to its readers beyond what they might have achieved by ordinary selective buying, is a record of service over half a decade which cannot be ignored.

Nevertheless, every vital feature of a constructive investment publication requires adaptation to changed situations. Owing largely to the continuing decline in stock quotations, and, more largely, to a sharp, yet prolonged, decline in money rates, bonds, from having been a side show in the investment scheme, have now taken their prewar position as the center of the financial theater. It follows that the Bond Buyers' Guide more than ever must be alert to this change and consequently indicate the real opportunities to its readers.

In order to enlarge the scope, the bonds of certain foreign governments have been included in the list of bonds purchased primarily for income. These foreign government bonds have been chosen from among the few which we have considered to be safe. Such bonds are the Canadian, Newfoundland, Australian, Cuban, Haitian, Dominican, Panaman and Argentine securities. All others, including Europeans, have been rigorously excluded from present consideration.

A further feature of the Bond Buyers' Guide is the relegating of such bonds as are unsecured and which rest primarily upon the mere promise to pay of the corporation, to a special section (see table). Debentures and income bonds are primarily in this group, although mere title is not an infallible description of the character of the bond. It is believed that the segregation of such bonds, from bonds secured either by mortgages or other appropriate collateral will serve to clarify the mind of the investor with respect to their investment status. A great many debentures now being floated, especially in the public utility field, having distant maturity and no sinking fund provisions, are in effect what our British cousins call "Consols." That is to say, they are mere registers of annuity payments. Such securities, while often enjoying great merit, cannot reasonably be classified with mortgage bonds as belonging to the same species of investment.

Bonds Divided Into Two Major Groups

Hitherto the Bond Buyers' Guide has been divided into three categories: (1) high grade bonds for income only, (2) middle grade bonds for income and profit, and (3) speculative bonds for income and profit.

It has been thought advisable, in view of important changes in the bond market, to simplify this arrangement. Bonds will henceforth be classified on the basis of the needs of the investor.

Henceforth there will be only two categories: (1) bonds purchased primarily for income, and (2) bonds purchased primarily for appreciation. In the former group will be found bonds whose present quality is their sole recommendation; and in the second group will be found bonds whose present quality, while good, are not quite equal to that of the first group, while their future gain in price is so well assured that it remains the principal inducement for the purchase of such securities. Purely speculative bonds have been wholly excluded, and even semi-speculative bonds culled, and only those having more permanent worth, finally chosen.

The reason for the exclusion of wholly speculative securities is neither snobbish nor sentimental. It is due to the fact that declining money rates make it almost certain that the best quality bonds may register the largest gains in value. For example, a 5% bond selling at par, maturing in twenty years, may easily advance to a price at which it will yield 4.20%, as was the case before 1918. Middle-grade bonds, selling to yield 6.50%, may advance to a 5% basis. When such profits are possible in bonds enjoying good quality, it is not advisable to seek profits among bonds on the remnant counter. It is only when better quality bonds have pretty much exhausted possibilities of capital appreciation, that the 8% and 9% bonds can receive serious consideration.

Changes in Auxiliary Information

Five important differences will be noted between the former and the present Bond Buyers' Guide. The previous tables were arranged in order of preference. This has become less significant after the long period of bond recovery. It is a truism in the bond market today that great differences in quotations between bonds of similar

quality are becoming very much rarer. The bond market has been gone over and over again with a fine-tooth comb, both by experts and investors, because of the comparatively restricted amount of bonds as compared with the ever-growing demand. Hence differences in price, or rather in yield, are today sufficiently a measure of differences in desired qualities in a bond as to make arrangement in the order of preference a little reminiscent of a past situation.

At the same time, it is not at all true that the bond market has become an automatic affair. There is still room for discrimination, but within a narrower range. A rather obvious form of discrimination will be noted by the careful reader, in that investment favorites have been excluded from the list. Such senior bonds as those of the Atchison, New York Central and Pennsylvania railroads are the natural refuge of the lazy investor, and are usually bid up to a premium somewhat beyond their comparative merits.

The second difference is the elimination of separate sections for callable and non-callable bonds in the investment division. The object has been to exclude such bonds whose callable feature may act to cut short the profit of an investor who has held the bonds for only a short period. Since all such bonds have been excluded, the division is no longer significant.

Three new features have been added to the Bond Buyers' Guide. The amount of prior liens outstanding against any issue is a guide to its position in sharing the earning power of the corporation. The amount of prior liens is especially significant should earning power drastically diminish and readjustments become necessary. Unpleasant as such a contingency is, it cannot be ignored. In order to relate the issue to the amount of prior liens outstanding, the amount outstanding of the issue has been given in a separate column.

A noticeable feature is the new column stating the current income as well as the yield to maturity of bonds. Many a small investor is compelled to sell bonds, say, within a year of their purchase. Should he have purchased the bond at a price where its year to year yield is merely 4.50%, although its yield to maturity is 5.25%, it follows that so far as he is concerned, the yield to maturity has had very small significance. Of course, on bonds having a very near maturity, or on bonds having a very distant maturity, or on bonds selling near par, the differences are very slight anyhow. But for most cases the difference is quite important.

The list has not been drastically revised. A number of the bonds hitherto recommended have been excluded for the reasons hitherto given. These have been substituted by bonds having opportunity of market profit and yet conforming more closely to the present demands of the list. The reason why the greater part of the list has been retained is not crabbed conservatism, but is simply a tribute to both its past and present efficiency. The list, however, will be revised constantly.

Bond Buyer's Guide

Bonds for Income Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest earned on all debt	Price	Current Income	Yield to maturity
GOVERNMENT ISSUES						
Argentine 6s, 1959 ....(a)..	44.8	....	...	98	6.12	6.14
Dominican Rep. 5½s, 1942......(a)..	6.7	6.4	...	98	5.61	5.70
Haiti 6s, 1952...................(b)..	15.6	....	...	97	6.19	6.23
Panama 5½s, 1953..............(a)..	4.4	....	...	102½	5.37	5.33
RAILROAD ISSUES						
Baltimore & Ohio, Ref. 5s, 1995..(a)..	60.0	284.0	1.44	97¼	5.13	5.14
Buff. R. & P. Con. 4½s, 1957...... ..	25.6	4.7	1.34	91	4.95	5.08
Genesee Riv., 1st 6s, 1957.......... ..	5.7	....	1.44	108⅝	5.52	5.41
Great Northern, Gen. 7s, 1936.....(b)..	115.0	139.8	2.75	113½	6.17	5.25
Kan. City Sou. Ref. & Imp. 5s, '50. ..	18.0	30.0	2.07	97⅞	5.12	5.17
Ky. & Ind. Term., 1st 4½s, 1961.. ..	5.1	....	X	83	5.42	5.62
Minn., St. P. & Sault 6½s, 1931.... ..	10.0	74.6	1.16	103¾	6.27	5.70
M-K-T, P. L. 5s, 1962.............(b)..	36.6	31.3	1.69	100⅜	4.98	4.97
Missouri Pac, 1st & Ref. 6s, 1949.(a)..	24.1	126.3	1.24	105¼	5.70	5.60
N. Y., O. & W., Ref. 4s, 1992.... ..	20.0	....	1.29	72	5.56	5.62
Rutland, 1st 4½s, 1941........... ..	3.5	....	1.80	88½	5.09	5.64
San Antonio & Aransas Pass. .. 1st 4s, 1943..................... ..	17.5	....	2.63	88	4.55	5.06
Western Pacific, 1st 5s, 1946......(b)..	27.8	....	2.26	100⅛	4.99	4.98
PUBLIC UTILITIES						
Am. W. W. & Elec. Coll. 5s, 1934..(b)..	12.7	....	1.32	97¼	5.14	5.43
Commonwealth Power, 6s, 1947...(b)..	10.1	....	4.28	104	5.77	5.67
Hudson & Manhattan, Ref. 5s, 1957.(b)..	37.5	5.6	1.98	86¾	5.17	5.20
Kansas Gas & El. 1st 6s, 1952.....(a)..	14.0	....	1.71	104⅛	5.73	5.65
Laclede Gas, C. & R. 5½s, 1953...(b)..	17.5	10.0	1.58	103½	5.31	5.26
New York Dock, 1st 4s, 1951....(a)..	12.5	....	2.73	85½	4.68	5.03
New York Edison, 1st 6½s, 1941..(a)..	30.0	38.0	3.71	116¼	5.59	5.00
Ohio Pub. Ser., 1st & Ref. 7s, '47..(b)..	3.7	4.0	2.61	112	6.25	5.99
United Fuel Gas, 1st 6s, 1936.....(a)..	9.5	....	5.72	102¼	5.85	5.70
Western Union, 6½s, 1936..........(a)..	15.0	20.0	11.20	112⅛	5.79	4.95
INDUSTRIALS						
Am. Smelting & Ref., 6s, 1947....(a)..	9.6	....	4.92	107½	5.58	5.40
Anaconda, 1st 6s, 1953...........(a)..	105.5	16.9	1.34	103¼	5.81	5.76
Bethlehem Steel, P. M. 5s, 1936.. ..	22.2	5.1	2.20	98	5.10	5.26
Central Steel, 1st 8s, 1941.......(b)..	4.5	....	4.90	117½	6.81	6.19
Goodrich, B. F., Co. 1st 6½s, 1947 ....(a)..	22.7	....	5.35	106¼	6.12	5.97
Hershey Choc., 1st Coll. 5½s, 1940.(a)..	19.3	....	5.18	100½	5.47	5.45
Int. Paper, 1st 5s, 1947	6.7	....	7.26 Y	95⅛	5.25	5.38
Sinclair Pipe Line, S. F. 5s, 1942.(a)..	24.5	....	4.46	90½	5.53	5.91
So. Porto Rico, 1st Coll. 7s, 1941.(a)..	5.0	....	3.31	108	6.48	6.19
U. S. Rubber, 1st 5s, 1947.......(b)..	61.4	2.6	2.91	94¼	5.30	5.46

Bonds for Appreciation of Principal Primarily

	Amount Issue (Millions)	Prior Liens (Millions)	Times Interest earned on all debt	Price	Current Income	Yield to maturity
RAILROADS						
Chicago Gt. Western, 1st 4s, 1959. ..	34.7	....	0.90	68⅜	5.85	6.29
Central New England, 1st 4s, 1961. ..	13.4	0.2	0.67	71⅜	5.61	5.96
Erie, Gen. Lien 4s, 1996.......... ..	35.9	91.6	1.44	69¼	5.77	5.81
Int. Gt. Northern, 1st 6s, 1952....(b)..	17.2	....	1.34	105	5.71	5.63
Mo. Pacific, Gen. 4s, 1975.........(a)..	49.6	219.9	1.24	69¾	5.73	5.88
Rock Is., Ark. & La. 1st 4½s, '34..(b)..	11.0	....	1.48	93¼	4.81	5.52
Spokane Int'nal, 1st 5s, 1955..... ..	4.2	....	3.77 Z	83¾	5.97	6.21
Western Md., 1st 4s, 1952....... ..	46.5	2.3	1.18	70⅛	5.67	6.33
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968..(b)..	92.7	....	1.52	95½	6.28	6.31
Indiana Nat. Gas, Ref. 5s, 1936.... ..	6.0	....	1.89	94½	5.29	5.73
Manhattan Ry., Cons. 4s, 1990... ..	40.7	....	0.86	66¼	6.03	6.10
Market St. Ry. 1st 7s, 1940......(a)..	12.9	....	2.38	98¼	7.12	7.20
Montreal Tramways, Gen. & Ref. 1955 ....(b)..	2.5	21.4	1.31	92⅝	5.39	5.54
N. Y. & Richmond Gas, 1st 6s, 1951 ....(b)..	2.1	....	1.06	102¼	5.87	5.83
INDUSTRIALS						
Ajax Rubber 1st 8s, 1936........(b)..	2.4	....	2.23	103¼	7.74	7.54
Col. Industrial 1st Gtd. 5s, 1934.. ..	31.4	5.3	1.16	87⅛	5.74	7.05
Consolidation Coal 1st & Ref. 5s, 1950	21.1	8.0	2.52	80½	6.21	6.63
Commercial Credit, Coll. 5½s, 1935.(a)..	5.0	....	2.74	92¾	5.93	6.58
Republic Iron & Steel, Ref. & Gen. 5½s, 1953 ....(a)..	8.9	11.2	4.48	94⅜	5.83	5.92
DEBENTURES						
Am. Chain, S. F. Deb. 6s, 1933..(a)..	6.6	....	6.84	101½	5.91	5.74
Am. Type Founders, Deb. 6s, 1940	5.0	....	...	103⅞	5.78	5.61
Ligget & Myers. Deb. 7s, 1944.. ..	13.6	....	5.88	120⅜	5.82	5.24
Sun Oil, Deb. 5½s, 1939.........(a)..	9.6	....	3.99 C	99¾	5.51	5.53

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

X—Guaranteed by proprietary companies. Y—Recent earnings about $2.16. Z—Interest only guaranteed by Canadian Pacific. C—Listed N. Y. Curb market. All others on N. Y. Stock Exchange.

After the St. Paul Receivership —What?

Ultimate Recovery in Earning Power Seems Certain—Rate Increases a Necessity

By JOHN POMROY

THE courts have taken preliminary steps towards termination of the St. Paul receivership. Nevertheless re-organization in the near future is not yet definitely assured, and its obstacles are summarized in this brief article. Future earning power of the road, under any alternative re-organization is studied with a view to future dividend action on the preferred stock.

IN March, 1925, the Chicago, Milwaukee & St. Paul Railway Co. went into receivership and in April, 1926, foreclosure at an early date and public sale of the property was ordered. Never before has a property worth in excess of 600 millions been subject to receivership and foreclosure. Hence an almost inordinate interest was evoked among investors. For six months a contest was staged with reference to re-organization plans. Kuhn, Loeb & Co. and the National City Bank on the one hand, and dissenters from their plan, such as Roosevelt & Son, finally agreed on a plan of re-organization. Only the Jameson group, led by the Globe and Rutgers Insurance Company, has kept up a gallant fight against the dominant re-organization plan.

In the meantime, public curiosity was piqued by charges and counter-charges concerning the so-called "wreck of the St. Paul." The Interstate Commerce Commission has been conducting an exhaustive examination as to the causes leading up to the receivership. This extensive interest in the past, and pre-occupation with re-organization schemes in the present has somewhat diminished interest in the principal question, which is simply, whether the earnings of St. Paul, within the framework of the dissenting plans, will be sufficient after foreclosure to make the struggle worth-while. It is notable, in this connection, that the Jameson interests did not finally oppose foreclosure and sale, but stipulated that the upset price and re-organization plan should be stated in advance of such public sale.

It was not only ordered that the Chicago, Milwaukee & St. Paul Railroad be so sold, but that its subsidiary, the Chicago, Milwaukee & Puget Sound be likewise sold. Although it is conceivable that Northern Pacific might bid for the property, it seems definitely assured for the re-organized St. Paul. The Puget Sound extension is popularly blamed for St. Paul's woes, but now that the damage is done, it ought to be retained in the system. The same is true for the St. Paul interests in the Chicago, Terre Haute & Southern, and the Chicago, Milwaukee & Gary.

The minority bondholders have been guilty of some fanaticism in this connection. Whatever the wisdom initially of these acquisitions or the relation of price paid therefor to valuation, it remains true that they ought to be retained within the St. Paul system on the basis of future operations importance.

While well-informed critics believe that foreclosure and sale is a herald of success to the Kuhn-Loeb-National City plan, it is best to consider the future of St. Paul, if the upset price and re-organization plans are modified further in the direction of minority bondholders.

At best, the 230 millions in defaulted bonds could be arranged for at say 50 cents on the dollar. Add to this the enactment of the Government loan bill, so as to preclude assessment of the shareholders for the 55 millions in government debt, and assessments could be reduced to $7 per share or less. On the other hand, there is hardly a responsible observer who believes that the defaulted bonds can command more than 65 cents on the dollar whatever the influence of the minority bondholders.

If the government loan action is deferred, then, of course, the expected assessment of $28 on the preferred stock and $32 on the common will rule. That government loan action would make the re-organization much easier, in the sense of facilitating agreement between majority and minority is obvious.

Under the dominant re-organization plan, fixed charges have been cut from 21.8 millions, as in the old company, to 13.8 millions, a reduction of 8 millions per annum. It seems perfectly plausible to assume that a 5% advance in rates to the Northwestern carriers is in the offing. It is certainly needed to equalize their position with that of carriers in more favored areas. The Northwestern roads seek larger rate increases, but it is best to take the minimum rate increase likely, as a basis for future earnings. An advance of 5% would add about 7 millions to annual operating revenues. Rate increases and savings in fixed charges should together approximate 15 millions, available to the adjustment mortgage bonds, above the earnings of the old company. On the 1924 basis, this would result in 26.7 millions available for bond interest. Fixed charges and adjustment bonds would take about 23 millions, leaving nominal earnings on the preferred stock (on the old company basis) of $3 per share.

If the Jameson group compel a high upset price, and the government loan bill is deferred, there is a strong probability that the road will continue in receivership until favorable loan and rate action is taken. What follows assumes that the St. Paul sale will go through on the Kuhn-Loeb-National City plan. But ultimately it would not make much difference as to fundamentals which plan is accepted.

The Northwestern territory has had a period of depression, all things considered. This period of depression is bound to terminate, and is in fact coming to an end. No responsible estimate

(*Please turn to page* 190)

March Railroad Earnings Register An Important Gain

Some Surprisingly Good Earnings Statements

By FRED L. KURR

NOTE: With this issue, we resume our Railroad Earnings table, which is published every month until December. Omission of the table during the first three months is due to the fact that until the third month of the year has passed not enough data exists to justify an adjustment of earnings to a yearly basis. It should be understood, of course, that the figures given in the accompanying table do not represent a forecast of railroad earnings for the year but rather indicate the *rate* of earnings, weighted for seasonal variations and computed on the base of the last month's statement. Necessarily, this figure will change from month to month, in accordance with quotations in the monthly statements. It is interesting to note, however, that barring unexpected developments such as strikes, droughts, and the like, final figures for the year do not greatly vary from the figures given in the table.

FAVORED with a heavy freight movement, the railroads in March were able to show surprisingly good results. There was an increase in gross operating revenues of approximately 9% and net operating income increased 28%. While in the first two months of the year railroad earnings were more or less irregular, in March nearly every section of the country participated in the improvement, practically all the Class 1 roads reporting larger gross revenues than in the corresponding month a year ago. The New England roads, the trunk lines, and several roads in the West and South established new marks in traffic volume.

Earnings Statements of Individual Carriers Show Up Well

Net operating income for March represented a month's proportion of an annual return of 5.74% on a tentative rate making property valuation of $21,180,000,000 as compared with the

(*Please turn to page* 174)

*Annual Rate of Railroad Earnings Based on the First Three Months of 1926

The following table gives the annual rate at which railroad earnings are running based on operations for the first three months of 1926 and allowing for seasonal fluctuations of traffic of each individual road.

Road	Net Operating Deficit	% Charges Earned	$ Per Share on Preferred	$ Per Share on Common
Atchison	....	....	....	16.60
Atlantic Coast Line	....	....	....	23.90
Baltimore & Ohio	....	....	....	16.30
Canadian Pacific	....	....	....	17.20
Chesapeake & Ohio	....	....	....	27.70
Chicago & Eastern Illinois	....	....	0.60	....
Chicago, Rock Island & Pac.	....	....	....	1.00
Chicago Great Western	....	....	0.90	....
Chicago, Mil. & St. Paul	....	97	....	....
Chicago & North Western	....	....	....	11.00
Delaware & Hudson	....	....	....	15.00
Erie	....	....	....	3.50
Great Northern	....	....	....	9.70
Gulf, Mobile & Northern	....	....	¶11.00	....
Illinois Central	....	....	....	13.20
Kansas City Southern	....	....	....	8.50
Lehigh Valley	....	....	....	8.00
Louisville & Nashville	....	....	....	19.50
Minn., St. Paul & S. S. Marie	....	....	....	1.00
Missouri-Kansas-Texas	....	....	....	§3.00
Missouri Pacific	....	....	†17.20	....
New York, Chicago & St. Louis	....	....	....	15.90
New York Central	....	....	....	**14.20
N. Y., New Haven & Hartford	....	....	....	5.80
Norfolk & Western	....	....	....	24.00
Northern Pacific	....	....	....	7.10
Pennsylvania	....	....	....	6.90
Pere Marquette	....	....	....	15.00
Reading	....	....	....	11.50
St. Louis-San Francisco	....	....	....	15.20
St. Louis Southwestern	....	....	....	9.50
Seaboard Air Line	....	....	....	7.00
Southern Pacific	....	....	....	12.60
Southern Railway	....	....	....	18.00
Texas & Pacific	....	....	....	7.90
Union Pacific	....	....	....	12.20
Wabash	....	....	....	7.40
Wheeling & Lake Erie	....	....	35.00	....

*Earnings given in this table are not an estimate of the full year's results, but simply indicate the annual rate of earnings for the first three months.

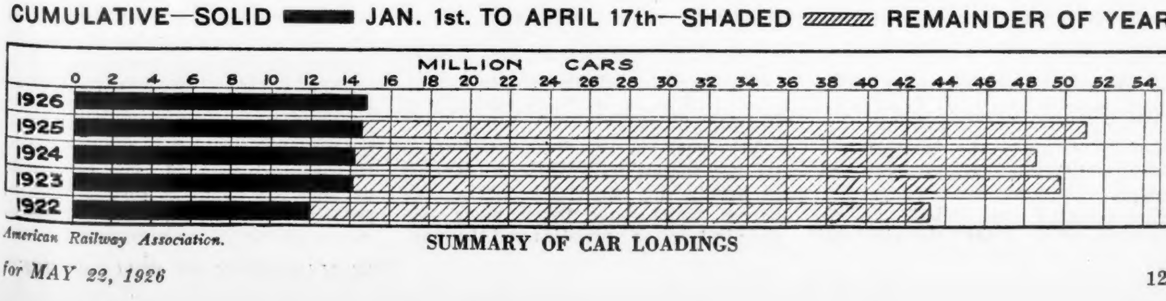
¶Gulf, Mobile & Northern pfd. is entitled to 6% and there are 22¾% back dividends due. After deducting 6% on the preferred, the balance is equivalent to $5.20 a share on common.

†Missouri Pacific pfd. is entitled to 5% and there are 40% back dividends due. After deducting 5% on preferred, balance is equal to $10.50 a share on common.

§Missouri-Kansas-Texas pfd. is entitled to 7%. After deducting 7% on pfd. and 7% on the 5% adjustment bonds which are convertible into preferred, the balance is equal to $3.00 a share on common.

**Does not include undivided surplus earnings of controlled lines which if included would bring earnings up to $19. a share.

CUMULATIVE—SOLID JAN. 1st. TO APRIL 17th—SHADED REMAINDER OF YEAR



American Railway Association.

SUMMARY OF CAR LOADINGS

Which N. Y. Traction Securities Offer Greatest Profit Possibilities?

What a Higher Fare Would Mean to Earnings

By FREDERICK B. CANNING

Six Best Income-Bearing New York Traction Securities

Bonds	Amount in Millions	Interest Times Earned 1925	Recent Price	Yield %
Third Ave. Ref. Mtgs. 4s, 1960	19.2	2.9	61	7.0
Manhattan Railway Cons. Mtgs. 4s, 1990	40.7	5.8A	65	6.2
Interborough R. T. 1st & Ref. Mtge. 5s, 1966	151.6	2.4	73	7.0
Brooklyn, Queens Co. & Sub. 1st Con. Mtge. 5s, 1941	2.8	1.7B	63	9.7

Stocks	Div.	Shares	Share Earnings 1925	Recent Price	Yield %
Brooklyn-Manhattan Transit Common V. T. C.	$4	769,911	$4.65	63	6.3
Manhattan Railway Modified Guaranteed	5	600,000C	6.15	52	9.6

A—Based on Interborough earnings. B—Entire system. C—Including unmodified

THE difficulties experienced by the New York traction systems in recent years, and the causes which led up to them, are so well known that it is unnecessary to dwell upon them at length. It is simply a matter of elementary arithmetic. With material and labor costs substantially inflated over pre-war levels, the companies have not been allowed to make a corresponding increase in the price of their service from the figure established decades ago when conditions were altogether different.

When Will Situation End?

Of much greater interest is the question as to how soon this situation may be expected to terminate. It is a matter of vital importance not only to the numerous individuals and institutions owning the securities but to the entire public. This is true because tax payers cannot escape the necessity of indirectly contributing towards the deficits incurred by the tractions. It is true even more for the reason that it materially retards the expansion of facilities which should constantly be taking place in order to meet the needs of a rapidly growing population. Consistent absence of profits impairs the credit of the traction companies to an extent to preclude the possibility of raising additional funds to finance expansion.

New subways must be built, and the only alternative is that the city shall build them. This is being done in the case of the lines now under construction. Here again, however, we run into a possible stumbling block. How is the city going to receive any return on its investment in these lines? With construction costs between two and three times greater than those of the original subways, it would obviously be hopeless for one of the private operating companies to earn sufficient amounts on a 5-cent fare to permit payments to the city, when they cannot do so now upon a much smaller relative investment in the old lines.

In the event of municipal operation of the new subways, the present law provides that a 5-cent fare must prevail for the first three years, and that if such a rate proves inadequate, the proper adjustment shall be made at the end of that period. That is all right as far as it goes, but it would mean that the 5-cent fare would remain in effect at least until 1931. In the meantime, the city with all outlay and no income, not to mention almost certain heavy operating losses, would have no funds to complete the much needed comprehensive system of subways, as further increases in the debt limit would be very difficult to obtain, and, even if obtained, would involve an unwarranted burden on taxpayers.

With such an outlook confronting the traction situation, how is it possible to justify the remarkable market advances which have taken place this year in traction securities and the manner in which they have held up in face of violent liquidation in the general market? This applies especially to Interborough and Third Avenue common stocks, issues which from the point of view of current and prospective earning power under a 5-cent fare offer little or nothing, even to the reckless speculator. The outlook for increased earnings through the granting of bus franchises, while helpful, does not fully explain such substantial enhancement in values.

More Favorable Administration Attitude

The only logical answer is to be found in the attitude on the traction question assumed by the new city administration. It has been evident from the start that with the change in administration the old unreasoning obstructive tactics prevailing for eight years would be replaced by a policy of conciliation and a determination to go more than half way in providing a permanent remedy for the intolerable condition existing.

The probability is that the powers that be well recognize the serious difficulties involved in postponing a fare increase for six or seven years, not only in their effect on the traction companies, but on the city treasury and the public as well. Is it not reasonable to assume then that some effort will be made at no great distant date to save the situation by the only rational means in sight, a moderately higher

rate of fare? To do otherwise would only result in a fruitless attempt to nullify a fundamental economic law that goods or service cannot be supplied over an indefinite period below cost. Granting that the "5-cent fare" is still bound up with New York politics, it is unlikely that the administration will, simply for political considerations, risk the much more serious consequences of failing to face the issue squarely.

The Higher Fare Issue

The action of the traction stocks goes a considerable distance in bearing out an optimistic feeling in this regard. As far as the surface lines are concerned, it is necessary to assume that any fare increase will apply to them as well as to the rapid transit lines. If higher fares are a definite prospect, then the prices prevailing for the junior traction issues are not so much out of line with indicated future values as might appear at first sight. This is due to the preponderance of funded debt as compared with stock in the makeup of the capital structures, especially in the case of Interborough and Third Avenue. With fixed charges, including bond interest, remaining practically unchanged, a 20% or 40% increase in gross revenues, following the establishment of a 6- or 7-cent fare respectively, would result in a substantially greater increase in the surplus available for dividends.

This represents the speculative angle which should be considered only in the light of the many contingencies in the situation and the wide fluctuations which are bound to occur in the prices for the common stocks. The investment aspect in many respects is even more interesting. As in usually the case, indications of an improvement in the fundamental outlook are reflected first and to a greater degree in the more speculative junior securities. The investment attitude is more conservative. Underlying bonds and other prior issues of the traction group have fallen far short of showing a corresponding enhancement in market value.

It is futile to attempt definite predictions on a situation so bound up with political considerations. Even the sounder traction issues offer no sinecure to investors. It may be said, however, that the present outlook is more encouraging than at any time since the war. One thing is certain at any rate. If there is any justification for the current levels of the common stocks, the higher grade issues in the traction group are distinctly undervalued and attractive for income and profit.

THIRD AVENUE RAILWAY

This company operates all the surface lines in the Bronx, the southern portion of Westchester County, as well as certain important lines in Manhattan. It has been able to maintain a comfortable financial condition despite inadequate earnings, but, of course, conditions have not permitted desirable expansion of facilities into newly developed territory. Bus franchises if granted will help to remedy this defect, and add an additional source of income. There is also a fair chance that a downward revision in the paving assessment, proposed but not acted upon at the recent session of the Legislature, will be passed at the next session, which would result in a material saving in operating expenses.

The Third Avenue 1st Refunding Mortgage 4s of 1960 are secured by a lien on all the company's property, subject only to 5 million 1st Mortgage 5s. The former are also secured by pledge of subsidiary securities. The strong position of the 4s may be realized from the fact that in the poorest year, 1921, the interest requirements of $879,620 were covered with almost $400,000 to spare. Last year, even though nothing was earned on the stock, the margin over interest on these bonds was well over 1.1 millions.

The market range this year has been 55⅛ low, 65½ high, with a recent price of 61, at which level the yield is 7%. The strong security, the safety of interest charges even under adverse conditions, together with the brighter outlook, entitle these Refunding 4s to be classed as a distinct opportunity.

Prospects for the common stock are predicated on the outlook for an increased fare. It is interesting to observe, however, that on the basis of 1925 income, and without regard to the arrears in interest on the Adjustment 5% bonds, an unqualified 6-cent fare would have produced earnings equivalent to $17 a share, and a 7-cent fare to $34 a share on the stock. A small deficit was shown under the 5-cent fare. *These figures simply reveal the possibilities in the situation, but must not be interpreted as an attempt to underrate the inherent risks in the shares at a price around* 35.

INTERBOROUGH RAPID TRANSIT

The 1st & Refunding Mortgage 5s of 1966 constitute the bulk of the funded debt. They are secured on all leaseholds and other rights in subway and elevated lines.

The Interborough operates a comprehensive system of subways in four boroughs, besides operating under lease all of the elevated lines in Manhattan. The top-heavy capital structure, consisting of 86% bonds, has been a distinct handicap, and the necessity for meeting rental obligations on the elevated lines, which must be paid if earned, has not permitted the company to maintain a sufficiently liquid position financially.

The company is not so fortunate in regard to bond maturities as Third Avenue. The bulk of the latter's funded debt matures in 1960 whereas Interborough has nearly 45 millions coming due in 1932, and it is not until about that time, as outlined above, that a higher fare can be expected without some alteration in the law meanwhile. *Barring such an alteration, Interbor-*

(Please turn to page 176)

P. & A. Photos.

Gov. Smith's New Transit Commission Being Sworn In. The New Commission, it is held by close observers, will take a constructive attitude toward the N. Y. City tractions

Sizing Up the Prospects for Two Leading Stocks

Representing Each of 15 Important Market Groups

Company and Industry	Total Assets (In Millions of Dollars)	Total Capitalization (In Millions of Dollars)	Volume of Gross Business (a) (In Millions of Dollars)	Earned $ Per Share 1925	Recent Price	Div. ($)	Yield (%)	COMMENT
Steel								
U. S. Steel.........	$2,445.6	$1,377.6	$1,406.5	12.86	121	7	5.8	By virtue of extensive construction program and acquisition of Lackawanna, Midvale and Cambria properties within past three years, Bethlehem has made greater relative gain as producer than U. S. Steel, but earning power is not yet fully developed. Shares occupy speculative position with possibilities for long pull, while Steel common is in investment class. Company will continue to hold dominant position in the industry.
vs.								
Bethlehem Steel....	617.2	474.9	273.0	5.30	39	—	—	
Oil								
Stand. Oil of N. J...	1,214.9	707.2	1,122.7	4.72	45	1	2.2	Standard Oil of New Jersey remains as the leader of the Standard Oil group. Price of shares governed more largely by asset values and expectations of probable future benefits in way of dividends than by considerations of current income yield. Texas Company occupies much the same position among the so-called independent oils, though much smaller than Standard of New Jersey. Both stocks are attractive though Texas offers larger immediate return.
vs.								
Texas Co...........	397.6	165.3	159.4	6.02	51	3	5.9	
Metal								
Kennecott	268.1	35.0	67.9	5.34	53	4	7.6	Kennecott occupies dominant position as producer, while Anaconda is leader from standpoint of production, refining and manufacturing. Kennecott has better balanced capital structure due to higher ratio between common stock and bonded debt and is favored by much lower average production costs, but activities are not so well diversified. Both stocks are attractive, although Kennecott seems the better from semi-investment angle at present.
vs.								
Anaconda	494.4	364.2	263.4	5.84	46	3	6.5	
Motor								
Studebaker	132.2	82.9	161.3	8.34	50	(e)4	8.0	Studebaker has more consistent record of growth. Companies are competitors in medium-priced field, but Hudson also operates in the more highly competitive low-priced division through its Essex line. Studebaker's earnings appear to be holding up better than Hudson's and shares have not suffered from undue market exploitation as have the latter during past year. Studebaker appears in better light from viewpoint of market and investment position, but purchases should be deferred.
vs.								
Hudson	58.0	16,626,625	no data	16.07	63	3	4.8	
Motor Accessories								
Stewart-Warner	29.0	19.2	8.5	12.87	71	6	8.5	Stewart's manufacturing activities are more varied than those of Stromberg, which is primarily maker of carburetors. Stewart is engaged in production of radio sets, as well as variety of automotive accessories. It is also the largest company in the accessory field. Average per share earnings for ten years have been practically equal, but Stewart has made better showing in this respect than Stromberg since 1921. Both stocks are speculative and outlook for immediate future somewhat uncertain.
vs.								
Stromberg Carb....	4.9	0.6	(b)1.57	7.87	64	6	9.4	
Tire								
U. S. Rubber.......	353.5	256.9	206.4	14.92	55	—	—	These companies have much in common in that both are included among the so-called "Big Five" tire manufacturers and do an extensive business in rubber footwear and mechanical goods. U. S. Rubber enjoys a larger volume of sales and also stands above its rival in point of total assets. Earnings of Goodyear have recovered relatively more sharply than those of U. S. Rubber, but dividend possibilities for the common are less promising due to the unpaid accumulation on the 7% preferred stock. Ownership of extensive rubber plantations likewise gives U. S. Rubber the greater speculative appeal.
vs.								
Goodyear T. & R...	193.2	(c)140.6	169.4	(d)9.44	31	—	—	
Railroad								
N. Y. Central.......	1,448.7	1,087.2	385.9	12.67	122	7	5.7	Both stocks rank among the best investment rails and show earnings which indicate ability to pay more liberal dividends in due course. New York Central has substantial equity in undivided earnings of prosperous subsidiary companies, but per share income is not quite as large as in the case of Atchison. New York Central is one of most important eastern trunk lines, while Atchison occupies similar position in the West. Lower current yield afforded by Atchison common is offset by possibility of earlier increase in dividend rate.
vs.								
Atchison	1,071.0	642.4	236.9	17.18	130	7	5.4	

(a) 1925 Figures. (b) Operating income. (c) No par common taken at $1,000,000. (d) After reserve. (e) Not including $1 extra.

Company and Industry	Total Assets (In Millions of Dollars)	Total Capitalization (In Millions of Dollars)	Volume of Gross Business (In Millions of Dollars)	Earned $ Per Share 1925	Recent Price	Div. ($)	Yield (%)	COMMENT
R. R. Equipment								Baldwin's earning power has shown greater average stability in recent years than that of American Locomotive and results for 1925 were better though neither company earned its preferred dividend. Merger with Railway Steel-Spring gives American Locomotive better rounded organization and will bring total assets well above Baldwin's, but latter still has higher net asset value per share. American Locomotive, on the other hand, is somewhat stronger in working capital. Neither issue is attractive at present though current yield indicates relative greater security of Baldwin's dividend.
Baldwin	80.5	51.4	27.8	nil	102	7	6.9	
vs.								
Am. Locomotive....	73.9	50.4	27.7	nil	96	8	8.3	
Farm Machinery								International Harvester's scope of operations and investment in properties related to manufacturing activities greatly exceed those of the smaller company. The stronger working capital position permitted Harvester to maintain common dividends during the depression period, while Case suspended payments on its preferred stock. The latter company has maintained a sound working capital position, however, and, like Harvester, is free of bonded debt and bank loans. Harvester is an attractive investment stock; Case has largely discounted dividend prospects.
Int'l Harvester.....	287.3	162.5	28.9	14.82	115	6	5.2	
vs.								
Case Threshing.....	32.5	26.0	No data	14.49	82	—	—	
Elec. Equip.								As indicated by accompanying figures, General Electric does larger gross business in relation to total investment and capitalization than Westinghouse. Interests are more widely diversified due to large investment in public utility enterprises. General Electric's four for one stock-split up to be followed by $3 cash and $1 special stock dividend, making indicated yield of 5.2% on basis of prevailing price. Westinghouse gives better yield and still has good long pull investment possibilities. Favorable factors in case of Gen. El. largely discounted.
General Electric....	397.2	219.2	290.3	20.47	314	s8	2.5	
vs.								
Westinghouse E.&M.	226.6	254.7	157.8	6.46	67	4	5.9	
Tobacco								Both rank among the most important producers of cigarettes and manufactured smoking tobaccos. Reynolds has dirceted its energies to the sale of individual brands in each class. Liggett's output includes larger number of brands and earning power has been the most stable of all tobacco companies. Reynolds, on the other hand, shows decidedly greater expansion in earning capacity and has no bonded debt or preferred stock and is stronger in working capital, but shares have liberally discounted prospects. Liggett occupies good investment position.
Liggett & Myers B.	165.6	105.3	17.0	6.34	79	t3	3.8	
vs.								
Reynolds Tobacco B	139.9	80.0	no data	7.44	94	4	4.3	
Tob. Chain Store								These companies bear a very close resemblance since both are leaders in the tobacco merchandising field and have acquired extensive real estate interests in connection with chain store operations. United Cigar Stores merchandising policy, however, differs from Schulte's in that latter confines distribution mainly to tobacco products, while United sells radio sets and parts, candy, Gillette razors and blades and the like. Schulte's has expanded much more rapidly. Neither stock is attractive at current levels since possibilities have been sufficiently exploited marketwise.
Schulte Retail......	35.0	24.9	no data	14.10	49	(e)	—	
vs.								
United Cigar.......	74.0	45.7	no data	5.94	88	f2	2.3	
Mail Order								Ward is the older (disregarding changes in corporate organization), while Sears is the larger company. Latter recovered from post war difficulties more rapidly and was able to resume common dividends in 1924. Capitalization now consists of but one class of security, common stock. Dividends for Montgomery Ward common have been delayed by necessity for clearing up arrears on Class A shares, but prospects for resumption are now good and the stock has attractive long pull possibilities. Sears Roebuck seems high enough.
Montgomery Ward..	68.7	21.2	170.5	8.05	62	—	—	
vs.								
Sears, Roebuck.....	91.2	100.5	258.3	5.22	49	2½	5.1	
Shipping								Depression in transatlantic shipping circles has resulted in three successive yearly deficits, before interest charges, for International Marine. Gulf has shown substantial recovery since 1923. Sale of Marine's White Star Line may be followed by company's entrance into coastal business on larger scale, but prospects are still decidedly uncertain and neither the common nor preferred stocks are attractive. Collapse in Florida boom likely to have some effect upon Gulf's earnings. Preferred and common are preferable to Marine issues, but in speculative position and not especially desirable.
Atlantic Gulf.......	85.0	51.0	33.9	5.63	39	—	—	
vs.								
Int'l Merc. Marine..	(g)225.0	(g)153.8	no data	nil	8	—	—	
Paper								Abitibi has very much the advantage over International from standpoint of stability in earnings. Operations have been consistently profitable during past seven years, while International's net income has fluctuated over wide limits. Both concerns own extensive water power sites and timber lands, but International Paper's interests in respect to water power constitute a substantial equity which is suggestive of "hidden assets." Hence, while Abitibi is the more desirable stock for current return and immediate dividend possibilities, International Paper has long pull speculative promise.
Int'l Paper.........	148.5	107.0	8.2	1.14	47	—	—	
vs.								
Abitibi P. & P.....	33.0	15.6	10.3	11.20	73	4	5.4	

(e) Rate on new stock not established.
(f) Also pays 5% in stock.
(g) As of 1924.
(s) Also pays 5% in special stock.
(t) Paid $1 extra in Jan., 1926.

Profit Opportunities Among the Amusement Stocks

The Industry's Progress in Recent Years and Prospects for Further Expansion

Statistical Comparison of Leading Amusement Companies

Issue	Total Capitalization (In Millions of Dollars)	Fixed Investments (In Millions of Dollars)	Working Capital (In Millions of Dollars)	Inventories (In Millions of Dollars)	Gross Revenues (In Millions of Dollars)	Earned $ per Share 1924	Earned $ per Share 1925	Divs. Paid 1924	Divs. Paid 1925	Recent Price	Current Div.	Yield %
Famous Players Cm.	$39.72	$35.87	$19.98	$18.21	no data	$18.81	$12.86	$8	$8	122	$8	6.6
First Nat'l Pictures Pfd.	6.11	2.62	6.07	a3.23	$24.72	46.68	78.01	*	8	99	†8	8.1
Fox Film "A".....	12.86	11.12	13.25	8.55	n15.14	4.00	5.05	*	4	64	4	6.3
Loews, Inc.	42.19	35.70	11.48	11.86	56.29	2.78	4.44	2	2	38	2	5.4
Metro-Goldwin Pfd.	8.53	5.95	12.24	11.82	5.99	4.11	10.90	1.89	1.89	23	1.89	8.2
Orpheum Circuit Cm.	13.87	30.43	2.76	none	18.14	2.31	2.77	1.37½	1.77½	29	2	6.9
Shubert Theatre ...	s14.41	11.63	2.01	0.76	no data	j10.04	j7.11	....	....	63	..	..
Universal Pictures Pfd. ...	9.06	3.87	6.16	8.03	24.85	*	64.18	*	8	93	8	8.6
Pathe Exchange, Inc. "A"	4.61	1.19	5.63	b1.03	18.15	7.97	7.68	....	....	49	‡3	6.1

* Issued in 1925. † Not including $1.44 extra. ‡ Not including 5% paid in stock. (a) Balance sheet also shows 5.59 millions "advances to producers." (b) Balance sheet also shows 3.97 millions "advances to producers." (j) Years ended June 30. (n) 1924. (s) Includes surplus.

ONLY a year ago, there were but three amusement stocks among the securities listed on the New York Stock Exchange. In keeping with the progress of the times, the number of these has increased to nine. This is as it should be, for the industry occupies an important place in the scheme of business activities. Famous Players, Loews and Orpheum may now be considered "old timers" in point of listed market history. The addition of the half dozen newcomers has broadened the theatre industry's representation to include every phase of the business from "silver screen" to the "legitimate" theatre.

In a broad sense, the economics of each branch are much the same. That is, periods of high wages and full employment are reflected in heavy attendance at the amusement houses while industrial unsettlement has a depressionary effect upon the earnings of the industry. Judged by the records, however, the motion picture companies are less susceptible to the shifting cycle of general business than the spoken drama and vaudeville. This fact is exemplified by the greater irregularity of profits shown by representatives of the latter branch of the industry during the period prior to 1923.

In the past three years, the tendency of earnings has been quite uniformly upward, due, evidently, to the sustained volume of commercial activity and high level of public spending power. Concurrently, the several companies have steadily expanded their scope of operations, especially in the motion picture field where there is a decided trend toward aggressive invasion of foreign centers and centralization at home.

The "movies" have passed through the early period of "slap-stick" comedy and hit or miss productions. In other words, the business is now largely stabilized and one in which development is proceeding under the guidance of the large, well financed units. To a large extent, therefore, the motion picture stocks have acquired a certain degree of investment standing.

The speculative element remains, of course, since the industry is subject to the industrial influences already mentioned. At this time, however, all indications point to a continuation of the progress shown during the last three years. The amusement stocks, therefore, offer a number of opportunities for investment as well as speculation. The following analyses endeavor to point out the more attractive of these issues while the accompanying table sets forth the features which characterize the financial structure of the leading companies.

FAMOUS PLAYERS-LASKY
Price, 122
Div., $8
Yield, 6.6%

Famous is the most venerable of the theatre group. It has existed in its present form since 1916 and was the first of the amusement companies to bring its shares to the New York Stock Exchange. It is also the largest in point of capital investment and extent of operations. Gross revenues are no longer published, but it is probable that the company over-shadows other amusement units in this direction as well. In fact, its size has provoked charges of monopoly by the Federal Trade Commission. Hearings on this account have not been completed. Regardless of the outcome, however, it is not likely that the position of shareholders will be injured.

In the course of building up channels of distribution for its productions, Famous Players has acquired an extensive chain of motion picture theatres of the first class, including the "Rivoli" and "Rialto" theatres in New York City. The Paramount Broadway Corporation, a subsidiary which owns a valuable parcel of land on upper Broad-

way, New York, has started construction of a 31-story office building which will house the newest addition to the company's list of motion picture houses.

Indeed, the real estate holdings of the leading "movie" producer are not the least of its assets. These investments at the close of 1925 were valued at 31.92 million dollars on the company's balance sheet. This total increased 18.24 million dollars over 1924, partly as a result of a reappraisal which added 7.44 millions to the balance sheet valuation and partly through purchase of additional properties during the year. Management of the real estate interests was transferred to Balaban & Katz in September, 1925, in order to effect economies from independent operation of the motion picture and real estate branches of the company's activities.

Famous has provided for its foreign business by acquiring ten theatres abroad and by an arrangement with the German film producer Ufa which will distribute 20 pictures annually for Famous Players. The importance of the foreign outlet is indicated by the fact that gross revenues from exports in 1925 are estimated at approximately 10 million dollars.

It is probable that Famous Players will encounter stiffer competition in the future, but the company is well fortified financially and should be well able to maintain its present strong position. Working capital of 19.98 millions at the end of 1925 was the largest in its history. Net for the common dropped to $12.86 a share compared with $18.81 in 1924 but this falling off was caused by the increase in outstanding stock to 370,114 shares through the sale of about 120,000 new common during the latter half of 1925. Actually, net income continued the progressive expansion that has been underway since 1921.

The common stock affords a fair yield at current levels and has good long pull prospects. The preferred shares are entitled to an investment rating, while the conversion feature, which gives the holder a call upon the common at 107.32, has immediate possibilities. The only objection to the preferred stock is the fact that it is redeemable at 120, or two points under the prevailing market price.

UNIVERSAL PICTURES PFD.
Price, 93
Div., $8
Yield, 8.6%

In its present form, Universal is one of the newest of the motion picture companies since it was organized as recently as January, 1925. Actually, however, the business may claim kinship with the pioneers since the constituent units date back to the earliest days of the industry. The company's volume of sales compares very closely with that of First National, but its capital investment is considerably larger inasmuch as Universal controls an extensive chain of its own theatres directly whereas First National secures an outlet for its production by indirection. The Universal policy, therefore, resembles that of Famous Players.

Like its great rival, the company is engaged in every phase of the industry, from production to distribution and the ownership of theatres. It also has extended the scope of operations to foreign countries where its own productions and those of other companies are distributed on an ambitious scale. The latter include "International News" reels and "Century" comedies.

Earnings of Universal Pictures have shown striking and consistent growth, being approximately 24.8 million dollars for the fiscal year ended November 7, 1925, compared with 16.1 millions for 1921, a gain of more than 54%. Net income has increased at an even more rapid rate, indicating a broadening margin of profit on larger volume of gross. Thus, net profits were $634,334 in 1921 against 1.93 millions last year, an increase in excess of 200%.

The company has no bonded debt. Its 2.88 millions of first 8% cumulative preferred stocks are followed by 2.0 millions of 7% preferred and 250,000 no par common shares. *The 8% preferred listed on the New York Stock Exchange has a high equity in earning power and while it is not fully seasoned appears an attractive holding for its high yield and possibilities for improvement in market value.* Earnings last year were equivalent to $64.18 a share, average for the last three years being $59.51 a share.

The common is listed on the New York Curb Market. Per share earnings for this stock rose from the equivalent of $1.01 five years ago to $6.18 last year. *At current levels around 33 it would seem to have good speculative possibilities since, on the basis of nearly 20% earned on market price, the issue is out of line with other amusement stocks.*

FIRST NATIONAL PICTURES PFD.
Price, 99
Div., $8
Yield, 8.1%

There are several rather unusually interesting aspects of this company and its securities. In the first place, there is but the one type of stock which is available to the public, but while this stock is a preferred issue, the holders thereof have an opportunity to participate in the company's net profits on a slightly complicated, but extraordinary basis. That is to say, while the 2.5 million dollars of first preferred are entitled to cumulative dividends at the rate of 8%, as long as the present amount remains outstanding, the issue is entitled to an additional distribution amounting to 8% of the sum by which net earnings are in excess of 1.5 million dollars in the preceding fiscal year. Such participation ceases above a net earnings figure of 2.5 million dollars. As a result of this feature, an extra dividend of $1.44 a share was paid to preferred stockholders in April.

The 2.07 millions of 7% preferred stock which follow the 8% preferred are privately owned while the 60,000 shares of no par common are held by companies which have entered into

(*Please turn to page 156*)

General Motors Corporation

General Motors' Rapid Progress An Industrial Marvel

Points to New Alignment in Automobile Industry

By H. B. WARREN

FROM the standpoint of an investor, looking over the automotive industry for the company or issue that appears to have the best prospects, General Motors has distinguished itself during the last year or two by steadily forging ahead of the other producers in volume of sales. Though this tendency has received little recognition in print, it is of much significance, particularly when combined with other factors in General Motors' position such as a rising margin of profit.

The trend toward a relative gain in volume is clearly defined. During 1924, General Motors sold 16.13% of the 3.64 million cars and trucks manufactured by all producers in the United States and Canada. If this relative status had been merely maintained in 1925, when the total output was 4.31 million units, the corporation would have increased its actual sales. It did better than the industry as a whole, however, raising its proportion of sales to an average, for the twelve months, of 19.60%. *In keeping with this performance General Motors' proportion of sales for January, 1926, was 24.13% of the total output; for February, 24.27%, and for March, 25.20%.*

Two years ago the corporation was doing less than one-sixth of North America's automotive business. General Motors today is doing fully one-fourth, and at its current rate of gain would be doing one-third of the business by the end of next year. Notwithstanding that the 106,051 cars and trucks sold at retail to consumers in March had established a record for any month in the corporation's history, April undoubtedly brought an increase in actual sales and is expected to show a further gain compared with other producers.

In overseas sales, also, General Motors' gains are above the average. The value of automotive exports from the United States in 1925 aggregated 334.4 million dollars, exceeding 1924 by not quite 44%. Sales of cars and trucks overseas by export organizations of General Motors in 1925 had a wholesale value of 77.1 million dollars, exceeding 1924 by more than 51%.

Though the motor industry appears big enough to leave room for many producers, the way General Motors is enlarging its share of the business suggests caution toward the securities of less well established concerns. Few have shown greater earning power than Henry Ford. Yet his business, for the past three years, has made little progress. The surplus of Ford Motor Company increased by 100.43 million dollars in 1924, with an output of 2.08 million cars. In 1925 the output was 2.10 million cars, and the surplus increased by only 79.89 million dollars. Ford's principal competitor is the General Motors' car, Chevrolet. Output of these cars last year exceeded 500,000, against less than 300,000 in 1924. If General Motors is to keep on going ahead at such a rate, one may expect that eventually, by mergers or otherwise, some of the weaker producers will have a difficult time.

To achieve such expansion it might be supposed that General Motors had been obliged to reduce its margin of profit. The corporation, however, has been enlarging its profit ratio. With its total sales last year exceeding 1924 by about 29%, General Motors increased its earnings by nearly 135%. This state of affairs is really extraordinary, and some of its details deserve examination.

On 568 million dollars of business in 1924, General Motors earned 45.33 millions, in addition to its proportion of profits from subsidiary operations not included in the consolidated income account. Last year 734.59 million dollars of business produced 106.48 millions of net, on the same basis. The earnings in 1925 were 14.49% of sales. This ratio was nearly twice the 7.99% shown for the preceding year.

From each dollar of sales in 1925, moreover, General Motors was able to retain as profit not far short of three times the average of the years 1918-1924 inclusive. Partly because there was a loss of 38.68 million dollars, before dividends, in 1921, the seven-year average is 5.65% against last year's 14.49%. In view of the expansion in sales, this firm grip on the profit margin in extremely encouraging. And few companies have so little need of encouragement. From the standpoint of common stockholders, this corporation is already the world's greatest moneymaker.

Net profits available for General Motors common stock last year, including equities in the profits of companies owned or controlled, were 108.37 million dollars. This figure may be compared—in each case after preferred dividends, if any—with 107.40 millions available last year for American Telephone & Telegraph, about 100 millions for Standard Oil of New Jersey, 94.56 millions for Ford Motor, 65.38 millions for United States Steel and 58.28 millions for Pennsylvania Railroad stockholders.

General Motors' position with respect to earning power on capital employed is also unique among manufacturing concerns of its size, requiring huge investment in plants and equipment. For every $100 invested in its business, the corporation earned $27.13 last year against $13.61 for General Electric, $10.25 for E. I. du Pont and only $5.61 for United States Steel.

Thus far in 1926, the motor company has been doing better than ever. Direct net income of 34.85 million dollars for the first quarter topped the heretofore record earnings of 32.24 millions for the preceding quarter. Earnings in the first quarter of 1925, with which a comparison is more logical because of seasonal factors, were only 17.81 millions before preferred divi-

dends. A further 5.78 million dollars in the first quarter of 1926 represented such equities as General Motors' share of the undistributed earnings of Fisher Body, in which it has a 60% interest, and of the earnings of General Motors Acceptance Corporation, in which it owns all the stock. After preferred dividends, the consolidated profits of 38.73 million dollars on the slightly over five million common shares equalled $7.50 a share, for three months, against $3.29 a share in the corresponding quarter of 1925. For the whole of last year, earnings on the common were $21.00 a share.

If the last nine months of 1926 should show such gains over the first quarter as was the case in 1925, General Motors would earn for its common stock this year $47.77 a share. So good a showing, however, is not expected. In preparation for the Spring demand, sales to dealers during the first three months of 1926 exceeded retail sales of 224,720 cars by 56,186. In the December quarter dealers had received a surplus of 20,188 cars and there was some previous accumulation, to say nothing of the many "trade-ins" that a dealer must accept from buyers of new cars, carry at his own risk, and resell.

Regardless of the prospects, no such earnings as $47.77 a share would be predicted by the management. Among the changes that followed the resignation of W. C. Durant as president and director was the disappearance from the annual reports of a section entitled "Outlook," always imbued with optimism. Since 1921 it has been a policy of the corporation to study the future as carefully as possible but not to publish any forecast.

Only five years ago, a great capacity for losing money was disclosed by the somewhat haphazard collection of plants that have now been welded into such a money-maker. Though a surplus had been earned annually up to that time, the deficit of 65.45 million dollars after dividends in 1921 was almost as large as the aggregate earnings that had been reinvested in the business from the beginning, in 1908, until 1917. In the first seven years of this period, moreover, no dividends had been paid on the common stock.

The Lesson of Adversity

To have seen the savings of years swept away almost overnight makes one less liable to become intoxicated with success. Though the present management was not directly responsible for the losses of 1921, many of those who are now in charge were fortunate enough at that time to receive a lasting impression that an automobile factory is not necessarily a mint. General Motors has "watched its step" ever since. In recent years, its affairs seem to have been administered with an unusual type of business intelligence, that may be described as a combination of "scientific management" and common sense.

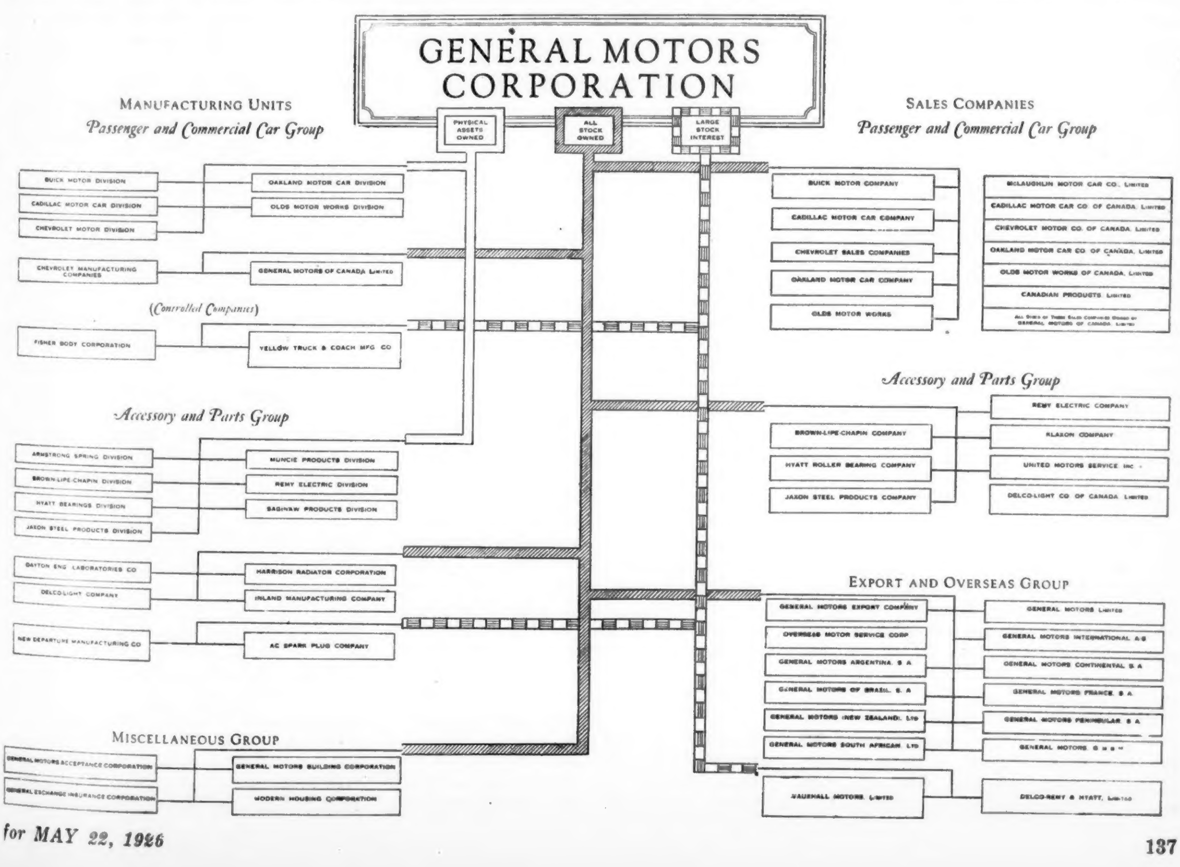
A method of making cash fluid, for example, was devised a few years ago. Formerly a Michigan unit might have large deposits, drawing no interest, while a Texas unit was borrowing heavily. Interplant payments also were cumbersome. If Cadillac owed Hyatt for materials, a check was eventually drawn in Detroit and mailed to Newark, where Hyatt deposited the check. Clearance took time, and to say nothing of the accounting and other overhead, each check transaction consumed four or five days.

A huge "float" was released for general working capital by establishing central reservoirs and handling remittances and cash by telegraph. The subsidiary companies deposit in local banks. A minimum and maximum are fixed for each account. When the deposits cross the maximum the excess is transferred to New York through the private wires of the Federal Reserve Banks, without charge. Transferred amounts are credited to General Motors in New York or Detroit. Deposits at Atlanta, for example, may cross the maximum at 10 A. M. By noon the transferred amount is available for a subsidiary in Flint, or Lansing, Michigan, to check against.

For a small organization, of course, problems of this sort would not exist. What might be called the penalties of bigness, however, are offset by General Motors through such devices as this system for mobilizing cash, simplifying intercompany transactions, minimizing contingent accounts and reducing capital requirements. At the same time, the corporation takes advantage of opportunities that a small concern could not enjoy.

Within the General Motors family, for example, there is a group of men who spend their days in search of facts lying beyond the boundaries of the known. Their tools are metallurgy,

(*Please turn to page* 170)



New Preferred Guide Provides Greater Service to Investors

An Adjustment to Changed Business and Investment Conditions

WITH this issue, the Preferred Stock Guide appears in a new dress. In order to make this feature as serviceable to our readers as possible, we have made a number of additions to the statistical data presented in the guide. At the same time, the list of individual stocks has been extended to include a broader range of companies, while some stocks formerly carried have been eliminated to make way for others which we regard as more attractive. Those of our readers who may desire information in respect to the securities that are among those dropped may employ the services of our Inquiry Department if they are in doubt about such holdings.

It has always been the endeavor of the Preferred Stock Guide to supply the investor with a practical list of recommendations selected to meet a variety of requirements. At the same time, an effort has been made to include preferred stocks which not only afforded the most attractive yields in their respective classes, but that would, incidently, offer reasonable room for gradual enhancement in market value.

WITH this issue, we instal our new Preferred Stock Guide, adapted from the old Guide which had been running for several years. The necessity for the change was brought about by the changed character of the business and investment outlook. We believe the new features introduced into the Guide will repay close study.

The Record

As an indication of the effectiveness of this policy, and especially to demonstrate to our readers how they may employ this feature to their advantage, we believe it will prove helpful to review the record of the guide since January 1, 1925. During the past seventeen months, the Preferred Stock Guide has to its credit a total of 289 points net profit. This profit represents the price appreciation of approximately 55 individual stocks recommended during the period, or an average advance in market value of more than 5 points per share.

Of this total, 112 points are accounted for by issues recommended under the grouping of "sound investments"; 96 points by those classed under the former heading "middle-grade" and 81 by the speculative and semi-speculative divisions. These results, of course, are exclusive of dividends paid during the period. If dividend payments were added to the total profit shown, and the whole divided by the maximum capital investment required to purchase one share of each stock recommended, the net yield during the seventeen months would be well in excess of 11%. It is evident, therefore, that the preferred stock buyer is not without his opportunities.

Such issues, when purchased with due thought to market conditions, earning power and prospects for the issuing companies, afford a promising field for investment. Standing mid-way between the bond and the common stock, the preferred share has many advantages for the average investor. The yield, grade for grade, is greater than that obtainable from bonds and the possibilities for price appreciation are likewise larger. Moreover, small sums may be invested readily in preferred stocks, whereas a considerably larger outlay is necessary for the purchase of most bonds since the number of $100 or $500 denominations of the latter is regrettably limited.

Smaller Risks

While the profit-making possibilities of common stock commitments, properly timed and judiciously selected, are frequently handsome, proportionately smaller risks are involved in preferred stock investments, provided, of course, due care is exercised. Nevertheless, the preferred stock is often the means whereby the discriminating buyer may secure a good turnover on his investment.

Preferred stocks fluctuate over a fairly wide price range over a period of years, as will be evident from a glance at the five-year record of the issues listed in the accompanying guide. Obviously, the buyer who had sufficient courage to pick up sound stocks in this group during the 1921 market depression not only derived a very substantial yield from his holdings but he has since witnessed material price advances in his selections.

This price variation is based upon the fact that preferred stocks, like common shares, are sensitive to variations in earning power, though, on the whole, to a lesser degree. Periods of liquidation or unsettlement in the general stock market tend to affect the market valuation of preferred stocks because these securities are not protected by rigid obligations to maintain dividend payments under stress, as is the case with bonds.

There are many companies, however, which have maintained preferred dividends over such long periods and under all conceivable conditions that the integrity of payments is scarcely questioned. These stocks have thus come to be regarded as gilt-edge investments. They stand in the same relation to their particular group as the high-grade bond does to its humbler brethren.

The owners of these high-grade preferred shares regard them as a source of certain income. They are not concerned with price changes but rather with the relative purchasing power of dividends received. Hence, the factors governing the price movements of the strongest preferred stocks are identical with those which operate in the case of bonds. That is, they move in sympathy with the trend of money rates and commodity prices, rising or falling as these markets fall back or advance.

Since conditions during the past two years or more have tended to hold the highest grade preferred shares on an elevated price plane and hence on a relatively low yield basis, we have refrained from including such issues in our guide. Yields much below 6% do not quite meet the demand of the small investor. Moreover, there seems little room for enhancement in market value of this group at prevailing levels.

Many sound preferred stocks of the better class are still available, however, which do fulfill the requirements of the average investor for income who would also like to derive moderate profits from his holdings. Naturally, the stronger the security,

the lower the yield it will afford and the smaller the possibility of profit from market improvement.

The Element of Hazard

The investor less conservatively inclined, therefore, must assume a more liberal degree of risk and choose among the medium-grade types. These will be found in the guide under the heading "Sound Investments," for while they are not so well protected from the standpoint of assets and earning capacity of the issuing companies, the preferred shares in this division are amply secured nevertheless. Some have a rather brief history and are, accordingly, unseasoned. Others have, on occasion, shown a smaller margin of safety over dividend requirements than might be desired. Yet, a careful appraisal of their present position and outlook indicate that, in due time, these factors will cease to have weight. It may reasonably be expected that the individual stocks will show a considerable degree of stability marketwise if, indeed, they do not ultimately command better prices.

In the semi-speculative groupings, on the other hand, the investor must recognize the element of hazard. Price movements here are much broader. Earning power is apt to be quite variable, so that much keener discrimination is necessary in making selections. It is true that the yields are larger and the possibilities for profit correspondingly increased. It is apparent, however, that a high yield is in itself a warning sign. If it be but the mark of past poor performance and the prospects are favorable to a turn for the better, a real opportunity may be presented.

The issues represented under the semi-speculative grouping in the Preferred Stock Guide have been subjected to careful review to determine whether they adequately measure up to the various standards which mark a promising speculative investment. We believe, accordingly, that they cover the most promising opportunities in this field, but the investor should recognize the fact that these stocks are not suited to the purchaser who cannot afford to undertake some measure of risk.

Speculative Issues

It is not always easy to determine the precise line of distinction between speculative and semi-speculative securities. For the purposes of the Preferred Stock Guide, the shares listed under the first-named classification are in much the same position as the last. The essential difference is that the speculative stocks are subject to even greater price changes than the semi-speculative and, on the whole, less well protected in respect to earnings. The prospective buyer must consult his own particular circumstances and decide whether the prospect of an unusual yield and price appreciation sufficiently offsets the element of increased risk before committing himself in this group.

Preferred Stock Guide

These stocks are selected as offering the best opportunities in their respective classes, taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	F4.75	No	67	47	69	5.8
Chicago & Northwestern	7 (N)	...	No	125	95	126	5.6
Chesapeake & Ohio Conv	6.5 (C)	F14.8	115	F130	F96	124	5.2
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	H98	H86	99	6.1
Colorado & Southern 1st	4 (N)	7.5	100	66	47	68	5.9
PUBLIC UTILITIES							
Columbia Gas & Electric	7 (C)	T6.1	115	T114	T103	112	6.3
North American	3 (C)	6.1	52.50	50	31	50	6.0
Philadelphia Company	3 (C)	6.5	No	49	30	49	6.1
Public Service New Jersey	8 (C)	3.4	No	F119	F95	118	6.8
INDUSTRIALS							
American Smelting & Ref	7 (C)	2.4	No	115	63	117	6.0
American Steel Foundries	7 (C)	6.6	110	113	78	113	6.4
Armour & Co. of Del	7 (C)	2.3	110	H100	H84	92	7.6
Associated Dry Goods 1st	6 (C)	3.9	No	102	55	97	6.2
Baldwin Locomotive	7 (C)	2.6	125	117	95	108	6.5
Brown Shoe	7 (C)	F4.4	120	109	70	112	6.3
Cluett, Peabody	7 (C)	3.7	S125	110	79	109	6.4
Endicott Johnson	7 (C)	4.8	125	119	87	117	6.0
General Motors	7 (C)	F13.9	125	115	63	114	6.1
Studebaker Corp.	7 (C)	25.0	125	125	83	118	5.9

For Income and Profit

SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	58	6.9
Kansas City Southern	4 (N)	2.7	No	59	45	63	6.4
Pere Marquette Prior	5 (C)	8.5	100	85	50	86	5.8
St. Louis-San Francisco	6 (N)	9.1	100	92	28	86	7.0
Bangor & Aroostook	7 (C)	2.5	110	F100	F86	101	6.9
PUBLIC UTILITIES							
American Water Works & El.	7 (C)	4.1	110	103	48	103	6.8
Federal Light & Traction	6 (C)	5.0	110	T89	T74	87	6.9
Kansas City Pr. & Lt.	7 (C)	T3.1	115	H109	H91	109	6.4
Hudson & Manhattan R. R. Conv.	5 (N)	4.5	No	F72	F25	74	6.8
West Penn Electric	7 (C)	..	115	O100	O96	97	7.2
INDUSTRIALS							
Allis-Chalmers	7 (C)	2.4	110	109	67	108	6.5
American Cyanamid	6 (C)	3.1	120	96	52	90	6.7
Bush Terminal Buildings	7 (C)	1.1	120	103	87	101	6.9
Commercial Credit 1st	6.5 (C)	..	110	N99	N92	92	7.6
Cuban American Sugar	7 (C)	F8.2	No	106	68	101	6.9
Famous Players Conv	8 (C)	6.7	120	120	74	118	6.8
Genl. American Tank Car	7 (C)	3.1	110	F104	F86	101	6.9
Gimbel Brothers	7 (C)	4.3	115	F114	F95	106	6.6
Goodrich (B. F.) Co.	7 (C)	F2.7	125	102	62	98	7.1
Loose Wiles 1st	7 (C)	3.3	120	112	93	115	6.1
Reid Ice Cream	7 (C)	T6.9	110	O100	O92	98	7.1
U. S. Cast Iron Pipe	7 (N)	3.7	No	113	38	101	6.9
U. S. Industrial Alcohol	7 (C)	4.3	125	115	84	100	7.0

SEMI-SPECULATIVE

PUBLIC UTILITIES	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Brooklyn-Manhattan Transit	J6 (C)	T3.0	100	83	34	83	7.2
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	N89	N80	89	7.9
Consolidated Cigar	7 (C)	2.5	110	96	53	98	7.1
Dodge Bros.	7 (C)	..	105	O91	O73	82	8.5
International Paper	7 (C)	1.6	115	N99	N86	91	7.7
Mid-Continent Petroleum	7 (C)	F1.6	120	F109	F80	96	7.3
Orpheum Circuit Conv	8 (C)	2.6	110	F107	F84	104	7.7
Pure Oil Co.	8 (C)	4.2	No	F108	F82	108	7.4
Radio Corp. of America	3.5 (C)	3.4	55	54	45	46	7.6
Warren Bros. 2nd	3.5 (C)	15.5	No	45	16	44	7.9

SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5 Yr. Av'r'ge	Redeemable	§5 Yr. Price Range High	§5 Yr. Price Range Low	Recent Price	Yield %
Chicago, Rock Island & Pac	7 (†)	F1.6	105	105	68	99	7.1
Gulf, Mobile & Northern	6 (C)	1.2	No	99	15	99	6.1
Wabash "A"	5 (N)	..	110	73	18	71	7.0
Western Pacific	*6 (C)	F0.9	105	86	51	80	7.5
INDUSTRIALS							
First National Pictures 1st	‡8 (C)	T4.7	115	N110	N100	99	‡
Goodyear Tire & Rubber	7 (C)	1.7	S110	H114	H35	101	6.9
Remington Typewriter 2nd	8 (C)	3.3	No	113	47	108	7.4
Willys Overland	7 (C)	..	110	123	23	94	7.5

* Cumulative to extent of 2 yrs. divs. † Cumulative up to 5%. ‡ Participates in excess earnings; paid $1.44 extra in March. J—After July 1, 1926. F—Four years. H—Three years. T—Two years. S—For sinking fund. N—Price range 1926. O—Price range 1925. § 1921-1925.

Colorado Fuel & Iron Co.

Turning a Loser Into a Winner

Remarkable Progress of Colo. Fuel Management—The Jump in Earnings—Outlook for the Company's Securities

By G. F. MITCHELL

	Gross Revenues Iron (millions)	Fuel	Coal Mined (mil. tons)	Finished Iron & Steel (thousand tons)	Net Income (millions)	Earned Per Share Common
1921..	$16.4	$11.1	2.8	227	d$2.7	Def.
1922..	18.4	11.1	3.2	290	d 0.7	Def.
1923..	26.0	12.6	3.2	372	0.7	$1.67
1924..	27.7	11.6	3.1	*409	0.5	1.05
1925..	23.6	11.0	3.2	*485	1.8	4.65

*Sales. d Deficit.

AFTER attracting little attention for some months past, considerable interest has been revived in regard to the prospects for the Colorado Fuel & Iron Co. as a result of the favorable earnings statement covering 1925 operations. The balance for the common stock was equivalent to $4.65 a share—the best showing since 1918.

Colorado Fuel & Iron Co. in its original form dates back to 1892. In 1913 its scope was substantially enlarged through the acquisition of the Colorado Industrial Co. thus gaining control of extensive coal properties in Colorado, Wyoming and New Mexico, as well as coke ovens and coal and iron mining equipment.

The company has a capacity of 550,000 tons of finished steel products in its works located at Pueblo, Colorado. In addition it owns iron and coal mines, including the only anthracite coal fields west of Pennsylvania, coke ovens, and undeveloped lands. It also operates, under lease, coal lands belonging to the Atchison, Topeka & Santa Fe Railway, through which the coal supplies of that road are furnished.

Unique Beginnings

Colorado Fuel has had a romantic career. It was originally organized by local capital as a merger of several smaller enterprises in order to develop Colorado's coal resources. The subsequent need for additional capital for expansion interested such well-known financiers as Harriman, Gould, Gates and Rockefeller sufficiently to bid against one another. Rockefeller interests have now had control for many years.

In recent years there have been persistent reports that oil existed on the properties. On the strength of these rumors, the common stock was bid up sensationally to above 50, only to collapse upon the announcement that the Ohio Oil Co. had abandoned a test well which it was drilling on a royalty basis without expense to Colorado Fuel. This occurrence took place a good many months ago, and since then the stock has been relatively quiescent. It is believed that activities in oil drilling have been terminated at least for the time being, and it is necessary to consider the future of the company from the point of view of its normal operations, rather from that of the more spectacular potential sideline.

Colorado Fuel & Iron Co. has always been handicapped by certain natural disadvantages, especially since the opening of the Panama Canal. The location of its plants is such that it cannot successfully compete for the important markets with mills in the east and middle west by reason of the greater freight charges on its products. The large business formerly transacted on the Pacific Coast has been impaired, due to the fact that freight rates from eastern producing points by rail and water through the Panama Canal are considerably under the all-rail rates from the company's territory. This situation would be aggravated even further in the event that the application of the western railroads for a 5% increase in freight rates were granted. This would entail additional burdens and increase the advantage of the eastern competitors.

In order to continue its existence in face of these conditions the company has taken active steps to reduce operating costs through the introduction of modern machinery and equipment, and through further diversification of products. Thus, 2.4 millions were expended for such purposes in 1925, and it is planned to use 5.5 millions additional this year without recourse to new financing. This is made possible by the ability displayed on the part of the management in maintaining a strong financial condition despite inadequate earnings. Net working capital at the end of 1925 amounted to 10.5 millions with a ratio of current assets to current liabilities of over 3 to 1.

How well the company has succeeded in improving its position from within may be judged from the last quarterly income report for the period ending March 31, 1926, as well as from the statement for 1925, to which reference has already been made. Net income for the quarter was equivalent to $3.15 a share on the common as against $1.54 for the corresponding period last year. The increase was accomplished in face of a decline in gross receipts. This contrast was even more striking in the 1925 annual report, which showed an increase in net of 1.3 millions despite a drop in gross amounting to no less than 4.7 millions.

With the control over operating expenses revealed by these significant figures and with so much work still to be done along the lines of revamping, including the substitution of electricity for steam, and the increasing of efficiency in various ways, it is quite evident that Colorado Fuel & Iron Co. is by no means ready to resign itself to its disadvantages of location, or content to struggle along with inadequate earnings as it has in the past. It enjoys a substantial volume of business in the production of steel rails for such roads as Atchison and Southern Pacific, and the outlook for new railroad construction in the territory served is not without encouragement. The company also has a fairly stable demand for the output of its wire and nail mills.

Position of Securities

Consumption of both coal and steel products is highly erratic, and it is too much to expect that current earnings can be maintained throughout the year. It would be a mistake to become unduly optimistic over the securities of the company, as the upbuilding process is necessarily gradual, and unaccompanied as yet by improvement in the external factors affecting the enterprise. The 5% bonds of 1943, selling around 93, constitute a sound investment, while the guaranteed Colorado Industrial 5s and the preferred are good business men's risks. *The common stock must still be regarded in the light of a speculation but with probably increasing merit for a long pull.*

Is Freeport Texas' Rise Justified?

Company in Process of Remedying Some Fundamental Defects —Higher Sulphur Prices a Factor—Market Outlook for Stock

By ANDREW C. CHASE

	Gross Sales (millions)	Net Income (thousands)	Share Earnings	Working Capital (millions)	Cash (thousands)
1921	$3.3	d$394	deficit	$3	$199
1922	5.0	d 253	deficit	3.8	193
1923	6.1	770	$1.06	3.1	774
1924	4.9	d 326	deficit	4.5	980
1925	7.2	750	$1.03	5.7	2,225

d Deficit.

TWO major factors have contributed to the revival in business experienced during the past year by the Freeport Texas Company. First and foremost is the strong market which has existed for sulphur. Prices have ruled higher than at any time since the war, and are at present some $5 a ton above quotations a year ago. Secondly, the additional production obtained from the Hoskins Mound property, acquired from Texas Co. a few years ago, has enabled Freeport to take advantage of the favorable market conditions to better effect. Exhaustion of the Louisiana sulphur deposits of the Union Sulphur Co., which for many years were the main source of supply, proved to be a real opportunity for the competitors of that company, the Texas Gulf Sulphur Co. and the Freeport Texas Co., although until recently the former has obtained the lion's share of the advantage.

Of the industries which provide the principal demand for sulphur, the fertilizer industry has shown the greatest relative improvement, and the greater activity has been reflected in a more substantial demand for sulphur. The volume of production in the steel trade has been heavy and has contributed its share towards the acceleration of sulphur demand.

Texas Gulf Sulphur has shown consistent and increasing prosperity year by year, whereas Freeport Texas has been able to operate at a profit only twice in the last six years. The reason for this is to be found in the difference in production costs, which in turn is due to the more favorable formation of the Texas Gulf properties.

Under modern methods of mining sulphur, superheated water is injected into the sulphur bed, liquifying the sulphur, and bringing it through a pipe to the surface. Cost of production is largely regulated by the amount of heat necessary to extract the sulphur, depending upon how well adapted the structure of the dome is to hold the water and prevent waste.

Under normal conditions the dome should move down as the sulphur is removed. This has the result of filling up the cavities in the deposits which would otherwise be created, and preventing the escape of the hot water. Such has been the case at the Texas Gulf Property, but Freeport has not been so fortunate in this respect. The cap rock at Hoskins Mound has proved to be so rigid that the company has had to resort to artificial methods to achieve the desired result, such as introducing mud into the cavities. Such remedies, however, entail higher production costs, and therefore only partially offset the natural disadvantages. The future prosperity of Freeport Texas hinges to some extent then upon whether the surface at Hoskins Mound settles sufficiently to permit more economy in the use of fuel oil.

For some years subsequent to the war, sulphur was almost a drug on the market. Texas Gulf exercised control of the situation. With its low production costs, it was able to derive a margin of profit on operations which was not available to Freeport Texas. Bryan Mound, Freeport's original deposit, was shut down in 1924, as existing conditions made it advisable to use up surplus stocks already mined.

Operating both properties during the second half of the 1925 fiscal year, Freeport produced at the rate of 535,000 tons per annum, or about 50% of its total plant capacity. At this time the strong tone of the sulphur market is being maintained. Should this state of affairs continue, as seems probable, additional plants can be placed in commission. Furthermore, old contracts written at lower prices are gradually expiring, and by the close of 1926 should be entirely replaced by contracts made on the basis of the current or recent market for sulphur.

Freeport has shown approximately the same earnings for the last two quarters, around 2 million gross sales and 35 cents a share on the stock after charges. This is at the rate of $1.40 per annum, and compares with $1.03 for the last fiscal year ending November 30, 1925. With the exception of 1923, when $1.06 a share was earned, 1925 is the first year since 1919 which showed any profit.

The stock has been selling at more than 20 times current earning power, which would appear to represent a liberal valuation in view of the long absence of dividends and of immediate dividend prospects. Such a price may be attributed in part to the outlook, now more definitely favorable than for a long time, in conjunction with the liquid financial position and the very simple capitalization, which consists of a single issue of 729,844 shares of no-par stock. There is no funded debt, preferred stock, nor bank loans. Stockholders, therefore, are in a position to receive direct benefits in the event that optimistic expectations are realized.

During all the years in which the affairs of Freeport have been under a cloud, there has never been any question as to the intrinsic worth of the properties provided that there should be an end to the unusual combination of circumstances which militated against the company. This end seems in process of realization.

There is no accurate means of determining the extent of the undepleted sulphur deposits. They are generally believed to be sufficient for many years, but in considering the worth of the stock, it is well to remember that it is a gradually liquidating enterprise, and that up to date it operates at a natural disadvantage arising from the more favorable dome structure of the Texas Gulf property. Moreover, Freeport must pay Texas Co. 50% of the net profits derived from Hoskins Mound until the amount of the plant investment is realized, and thereafter 70% of such net profits.

Balancing these various factors in the situation, it would appear that at a level around 30 Freeport Texas stock offers no great speculative attractions, although worth watching as a future opportunity in this direction in the event of a fair sized reaction.

The Polite Savage

THE American Indian who roamed these lands before the advent of the white men had many unique customs. Proud and haughty in peace, and fearless in the face of death, it was their fashion to exchange courtesies with their enemies. When a warrior went out on the war path, he shaved his head closely, except for a tuft of hair on the top, which we call the "scalp lock." The purpose, in case he lost, was to make it easier for his conqueror to collect the scalp. Naturally, he expected the same courtesy in return from his adversary.

To us, surrounded by the protections of civilization, this seems just a bit like misplaced generosity. Sentiment is alright in its place but one must be practical about such things. If we are to be scalped, why not make it as hard for the scalp collector as possible?

In an investment sense, scalping is still going on. In spite of wide publicity on stock frauds, "blue sky" legislation, and responsible information available to everyone, it is a fact that something like $500,000,000 a year is lost through "investments" in fraudulent stock-jobbing schemes. Thousands of uninformed investors each year are "scalped" out of their savings by the savage tribe of Promotors-of-the-Fake-Stock.

Perhaps it is inevitable that the country's loss through these channels should be so great, but there is no reason why we should be resigned to it. One of the most pernicious aspects of these fraudulent schemes is that the loser, nine times out of ten, is a "good sport" and "says nothing." Such silence encourages the promoters, brings danger to the doors of other uninitiated investors, often it makes it impossible for the authorities to squash the operation.

Let us be less considerate of our enemies. When the scalper goes out on the war path and, perchance, conquers—let him at least fail to meet with the courtesy of silent wrath and haughty inaction. Dispense with the haughty grandeur that many stock fraud victims assume through false pride. Seek prosecution. Make known the names and facts. Raise a storm of protest that will drive the fake promotors out of the country with their wily schemes, and give the authorities a chance to act. As soon as American investors drop their "scalp lock," the nation's stock fraud losses will drop by at least another cipher.

Would Your Present Investment Program Stand Up In "Hard Times"?

Some Cautious and Constructive Suggestions of Interest to the Farsighted Income Builder

BY STEPHEN VALIANT

It's the Walk Back That Makes the Heaviest Drain on Your Future Income.

WILL your income building program stand the acid test of general business depression? At the present time, when economists of note are hinting at the possibility of "hard times" in this country during the years not so far before us, this should be a query of considerable interest to the small investor who is providing for the future.

It is universally recognized that some of our basic industries are faced with the necessity of slowing down, that foreign competition is looming up in some lines as a potential menace and that stock market declines reflect some uneasiness as well as a reaction from inflated values. Although the purpose of this article is not to predict what the future has in store for the United States in the way of either depression or prosperity, it seems a timely consideration for the small investor to ask himself *how his present investment program would stand up if the country were headed toward depression.*

If it is true that forthcoming events cast their shadow, it is pertinent to start to look into one's method of providing for the future from the viewpoint of how this method is likely to work out under more adverse circumstances than surround us at present. The immediate (and perhaps most important) consideration is whether or not your investment securities are the type that are most likely to hold their value through a period of depression. Are the corporations that issue these securities "well heeled" in financial resources and cash assets? Would their main sources of income be adversely affected by business depression? Are the companies in a position to strengthen their position during times of adversity by taking advantage of the probable difficulties of competitors?

In addition to selection of the right type of securities, how well would your present investment program serve you through a period of adversity in a broader sense? Is the line of business that you are engaged in at present likely to be affected by those circumstances that we call "hard times"? If such would be the case to a degree that wages are reduced and men are laid off, have you provided yourself with a sufficient cash reserve in the savings bank or in high-grade readily saleable investment bonds to carry you through such a period?

Speculative stocks are not the kind of securities that can be easily carried through times of poor business conditions. Many times you have heard some one say "I was compelled to sell out my X Y. Z shares at the lowest price in four years *because I needed the money.*" An investment program designed to withstand bad business conditions generally should either be entirely devoid of speculative holdings or at least have such commitments limited to a small amount of the total net worth of the investor.

As a general rule, prosperity or depression is not an individual matter. When you have ample funds, everyone has ample funds, and, conversely, when you need money everyone else needs money. Under such circumstances values are sacrificed to meet immediate cash needs. By looking ahead a little, one can prepare his financial house so that he will be able to take advantage of low values thus created, instead of being compelled to make the sacrifices to someone else's gain. This rule holds equally to the acquisition of goods and commodities as it does to the purchase of securities.

Depression is a word that we use to describe a time when *dollars are scarce.* There may be millions of dollars in rich men's vaults or in banks, but, when dollars are hard for the average man to lay his hands on—that's what we call hard times. The obvious way to protect yourself against this circumstance is to so arrange your affairs so *that you will have dollars when they are scarce.* One means of securing this is to keep a certain portion of your funds in short-term notes or bonds, which at stated periods will pay you a stated number of dollars. The savings bank account serves this same purpose, and, while the amount of funds that one may keep in a savings bank is usually limited, (in New York state to $7,500) these dollars, as a rule, may be obtained *at any time.*

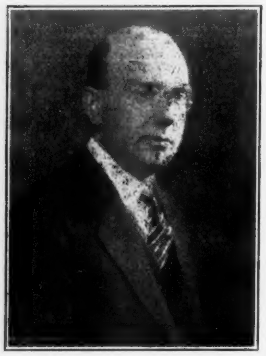
For the same reason that it is advisable to have dollars coming in during a period of depression, it is also of advantage to avoid contracting to pay out in the future if scarcity of dollars seems likely. Installment buying, except for necessities, would be avoided by the investor who anticipates such a period. Loans, mortgages or other liabilities payable at a stated time in dollars fall into the same classification. Men get rich by arranging their affairs so as to have dollars coming in when

(*Please turn to page* 181)

Estate Building With Life Insurance

The Third of a Series of Special Articles Covering Four Major Investment Fields

By GEORGE T. WIGHT
Secretary and Manager, Association of Life Insurance Presidents



WHEN the BYFI Editor of THE MAGAZINE OF WALL STREET asked for an article on "Why Should I Take Out Life Insurance?" my first reaction to the inquiry indicated was to say, "Because it is the human thing to do." For it is a human instinct to protect one's family. It is a natural desire to provide better opportunities for one's wife and children than one's mother and self had. And it is not infrequent human experience to be thwarted in the satisfaction of this instinct and desire by untimely death. As Judge Bracton, an eminent English jurist of early days, said, "Although nothing is more certain than death, yet nothing is more uncertain than the time of death." Life insurance, on scientific lines, was unknown at that time, but today it is the obvious recourse. It is the most economic means of meeting the hazard of death. It is the only method of building an estate overnight. In addition, it is the most convenient substitute for earning-power stopped by the hand of death.

National-Wide Acceptance of Life Insurance

The American people surpass the rest of the world in providing life insurance protection for their families. All of the other countries collectively have less of this protection than the United States. With a population approaching 117,000,000, our country today has 98,000,000 policies with a face value close to $75,000,000,000. As one reviews these facts and the recent activities of our countrymen along the lines of protecting home and family the question seems to be not, "Why Should I Take Out Life Insurance?" so much as "Why Should I Take Out More Life Insurance?"

These 98,000,000 policies in force in this country do not mean that there are 98,000,000 individual policyholders. There are many individuals throughout the United States who carry two or more policies. From a study of the records and experiences of a group of representative life insurance companies, statisticians estimate that these 98,000,000 policies are held by 55,000,000 persons. So practically one-half of the population of the United States have life insurance. As, generally speaking, one's life insurance policy is not to protect himself, probably most of the remaining half of the population are covered directly or indirectly as beneficiaries of this insurance. Thus it is safe to assume that a large majority of our 117,000,000 people have a contractual relationship with life insurance, either as policyholders or as beneficiaries.

Building an Immediate Estate

There is no substitute for life insurance for those with an insufficient estate. When you are making investments there are several standardized channels available. Your particular situation may make it difficult to choose between a building and loan association or a savings bank. If you are already in one or both, you may wish to make independent investments of your own—to buy real estate mortgages, corporate bonds or other securities. But in building up an immediate estate for protection in event of death, you turn to life insurance. It has no competitor.

The acquirement of adequate life insurance releases you for greater personal initiative in your business life. It frees your mind from worry over the financial future of your family and increases your efficiency in your daily task. This is a by-product of life insurance that inures to the betterment of the individual's position in life. Collectively, it becomes a national by-product that promotes the better development of the country through the increased efficiency of the individual.

The country's family protection fund of $75,000,000,000 bulks huge in the aggregate.

Let us allocate this life insurance to the individual policyholder. This demonstrates that only a relatively small proportion of the population have sufficient protection for the carrying on of their respective homes, in event of the death of the bread-winner, for more than two years or so at best. In the first place, nearly three-fourths of the life insurance policies in the United States are on the industrial plan, with premiums collected weekly at the home by the agent. These policies have an average face value of about $180. Allowing for duplication of policies by the individual, the average industrial policyholder is insured for about $240. This insurance supplies much needed funds to tide over the period immediately following death in the homes of industrial workers, but manifestly for only a short period. It is a tribute to this type of insurance that each member of the family in this great group usually has a policy. Thanks to the devotion and the weekly visits of industrial life insurance agents to workingmen's homes, a great mass of our people have been taught the protective value of life insurance.

About one-fourth of the total of 98,000,000 policies outstanding in the United States are on the ordinary plan by which premiums are usually paid annually, semi-annually or quarterly, and are remitted direct to the company. These 24,000,000 policies have an average face value of $2,400. Making due allowance for those who carry two or more such policies, the ordinary policyholder has an average protection of $3,300. Then there is a new form of protection inaugurated in 1911—known as group life insurance. This largely covers employed groups and the expense is frequently met in whole or in part by the employer. Under this plan nearly three million lives are insured with an average of $1,400 protection per person. About one-fifth of those so insured are also industrial or ordinary policyholders.

How Much Life Insurance?

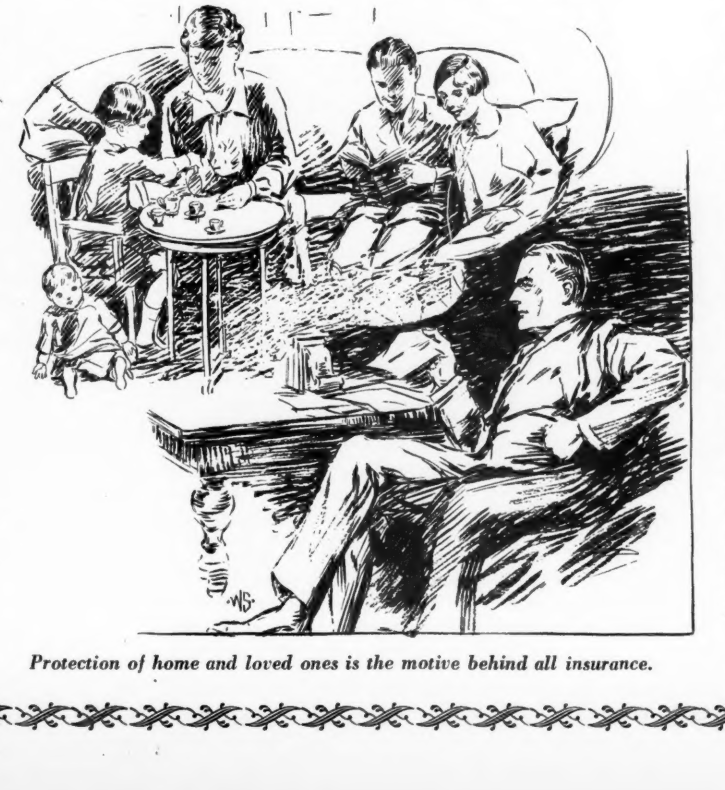
The readers of THE MAGAZINE OF WALL STREET as a class naturally turn to ordinary insurance. Ordinary policyholders carry $58,000,000,000 of the country's total old-line life insurance fund of $75,000,000,000. We have seen above that the average amount of protection taken out by the ordinary policyholder is around $3,300. Clearly this group—men who enjoy the higher incomes in the country—is not adequately insured.

When we lower this average by eliminating those who are adequately insured, we reach a sum, in many instances, much less than $3,300 as representing the insurance of the majority of this group. In the light of the wide acceptance of the principles of insurance, the really importance question is, "How Much Insurance Should I Take Out?" This, in the last analysis, has to be determined by the individual himself. The test is really simple.

Income Insurance Desirable

Ask yourself the questions: "What Income Should I Leave My Family?" and "What Income Will My Present Estate Furnish?" The difference is the goal toward which you should strive and, capitalized, it represents the amount of insurance you should take out. Life insurance companies have developed a type of insurance—known as income insurance—which enables policyholders definitely and certainly to answer this question. Instead of making a single lump sum payment upon the death of the insured, this contract regularly pays an income monthly or at such other periods as may be designated. This form conserves the payments to the beneficiaries against the wiles of those who are unscrupulously seeking the funds of widows, against the advice of kindly intentioned but inexperienced advisors and against the temptation of too liberal spending.

But you say how shall I go about adjusting myself to this ideal program of adequate insurance? There are at your service many intelligent agents. Get in contact with one of them. Discuss with him your financial situation and outline your own plans for your (*Please turn to page* 183)



Protection of home and loved ones is the motive behind all insurance.

A Plan of Mutual Advantage For Landlord and Tenant

Another Means of Obtaining the Saving and Economy Inherent in the Two-Family Home

By A. M. L.

NO doubt in common with a great many other readers, I was very favorably impressed with the economies in building and operating a two-family home, as described by Arthur Millard in the last issue of THE MAGAZINE OF WALL STREET. The lower investment and the smaller items for upkeep when divided between two families, quite logically will bring home ownership within the means of thousands who are otherwise barred by limited means as far as the single home is concerned. But does not the plan still leave the home renter with an unsolved problem?

This question is not raised in criticism of Mr. Millard's plan for co-operative home owning, which in my opinion is thoroughly practical but, as the author himself points out, many families would consider any plan of joint ownership undesirable. How about the man who wants an *undivided* ownership interest in his home? Or the man who would prefer to pay rent rather than to assume the responsibility of home ownership? Why not offer an alternative plan which would bring the undeniable economy and saving inherent in the two-family home to these families too?

The original plan was constructed along the same principles as a business partnership. Still there are many business undertakings which are worked out on the basis whereby one party is the owner and assumes the management problems while the second party is the creditor and has a preferred claim on assets and earnings of the venture for repayment of principal invested. As a business proposition, the same two-family house could be constructed on this basis, satisfying the personal (or sentimental, if you will) considerations of both the home owner and the renter, while at the same time offering both parties the advantage of two-family home economy.

Here is how my plan would work out. Using the same cost figures as shown in the previous article, A builds and owns the two-family house in question for $13,000 by raising $10,000 on a first and second mortgage. He borrows $1,000 from B, offering as security a third mortgage and, as an inducement and for further protection on the loan, a long-term lease at the stipulated rent of $1,000 a year. Figuring that the rental should be 12% of the cost of the home (a customary basis of determining rent), the rental of a single $10,000 house would be $1,200 and for *one apartment* of a two-family house costing $13,000 would be $780. The thousand dollar rent determined upon is approximately the average between these two figures.

An especially attractive design for a two-family house which has the outward appearance of separate dwellings

The advantage to B is that he obtains a low rent for a long period by loaning $1,000, on which the owner pays 6% interest and ultimately pays off the loan. Although this might be taken out of the rent paid immediately, I will consider that part of the bargain as a separate transaction in order to indicate the advantages to A, the owner. According to Mr. Millard's calculations the total yearly expense to the owner of the two-family house would be $2,160, of which $600 represents payment of interest on the mortgages; $480 for taxes, fuel, insurance, repairs and other incidental expenses of upkeep and the balance ($1,080) toward reduction of the mortgages.

For the first four years, therefore, A pays out in cash $1,160 a year, which is about what he would have to pay in rent for a single home or apartment. In the meantime, the income from the leased apartment is sufficient to meet amortization charges on the mortgages, and the value of his equity is growing at the rate of a thousand dollars a year. After the first four years, the interest charges are $200 a year lower and the second mortgage is paid off. The annual charges then are only $1,440, including upkeep, taxes, etc., and the building and loan mortgage payments.

In order to make it more attractive to B—the renter—it might be stipulated in the bargain that at the end of four years, when the second mortgage is paid off, the rent shall be reduced to $850 a year. On this basis, the owner would still have to pay out only about $600 in cash each year and his equity would be increasing at the average rate of roughly $800 each year.

The constantly changing ratio between mortgage interest (which is an expense) and mortgage reductions of principal (which is an investment) may appear to make the above figures rather intricate. To simplify the problem let us make this recapitulation:

A pays $1,160 for four years or $4,640 and $600 for 7½ years or $4,300, making a total paid out in cash of $8,940 and at the end of 11½ years owns a $13,000 home free and clear of all mortgages. This is based on a stipulated reduction of the rent on the leased apartment to $850 at the end of the first four years but does not take into consideration the $1,000 loaned by the renter to help meet original construction costs. Without considering the proposed rent reduction, A's total outlay in 11½ years would be $8,000.

How I Learned to Invest Safely

A Conservative Woman Investor Places Her Funds Only in Bonds

BY LOUISE F. MORRIS

MANY years ago—more than I care to recall—I was struggling along as a clerk at a salary that made it just possible to make ends meet. I am still struggling for that matter for the ratio of living costs to wages has not changed greatly. But that is getting ahead of my story.

My grandmother, one Christmas, sent me a check for $25, and I had visions of many things it would buy. I had never done any business at a bank so I took it to an old gentleman whom I knew well and asked him to cash it for me. He was of Quaker stock and very thrifty and was fond of telling the story that once when he was a very small boy his grandfather gave him a fifty-cent piece saying, "See how many thee can add to that." Incidentally, he had added a good many. But he refused to cash my check, taking me instead to a savings bank where I duly opened an account with my $25. That was the beginning.

The first years of the war found me with about $3,000—a little more than half of which had come to me from an estate—and a much better position. When the first Liberties were floated I happened to have $170 available. I went to a bank with this, bought a five-hundred dollar bond bearing 3½% and gave my note for the balance at 6%.

Not a very good move from a business point of view but I felt if the boys had to shoulder rifles the least I could do was to shoulder a debt to help them. My employers learned of this soon after and took up the note so I was able to pay it more leisurely and without interest. Business was exceptionally good for several years—it was not profiteering either—and I received bonuses at Christmas time. Investing these each year and adding them to my little hoard gave me another start from which I could begin to see real progress.

One of the things impressed on me was the way a little dollar will work for you if you treat him right, and when you encourage him with company of his own kind it is really astonishing what he will do. I determined to take my dollars into partnership and today they are earning a third of what I am. They say money at 6% will double itself in twelve years so, barring accidents and sickness against which I carry insurance, I figure that if I keep mine working and add to it as I can during that period, it will then take care of me.

One of the pleasant features of owning securities is that the harvest of coupons is not seasonal like that of many businesses or the crops of the farmer. To descend into the bank vault every month or two and gather the equivalent of a neat little sum bolsters up one's courage tremendously and makes dimmer the picture of the old ladies' home that sometimes hangs before me. These sums go back into the bank and whenever I can get $500 together I buy a bond. I have kept myself so religiously within a budget for many years that I can calculate with some degree of certainty just about how much I can put away each year, though there are always the unexpected things to take the joy out of life.

I have had losses too and this brings me to the subject of bond buying. It is interesting business though I have never bought for speculation. I have learned not to buy just because a friend or obliging salesman has something to sell. Salesmen present beautiful arguments for their wares and are good at figures; it is their business. When they go I sharpen a pencil and do some calculating for myself.

As a rule, if everyone tells the same thing you can depend on its being true and act accordingly. I would never deal with any but a reputable house and if then in doubt I have found a banker a good person to go to for advice. I admit it takes courage to beard one in a mahogany den, but if you do you will find him quite a human sort of being after all and he really does tell one a lot.

Most of them with whom I have talked seem to feel that stocks—average stocks—are not for a woman of limited means. Being naturally very conservative, I do not find it hard to follow this advice. Buying only at intervals of many months as I do furnishes diversity which I think is one of the essentials to a strong list of securities.

Another thing I want to know now when I buy a bond is its rating. I insist on its being in the A class; the more A's the better. That means, of course, a smaller return on one's investment, but I like security of principal above all things. I do not believe in putting things away and "forgetting" them either.

I know of no better motto for the woman investor than the street car conductor's repeated warning, "Watch your step."

From Your Experience—

have you learned some valuable pointers for Income Builders in saving, budgeting, investment, home building or insurance that other readers would like to know about? How do you keep track of expenses? How do you increase your income? How do you invest your money? Do you favor home owning or renting? Interesting articles written by our readers which answer questions like these, will be published from time to time in this Department at our regular publication rates. If you think that your experience would be helpful to other investors, jot it down as briefly as possible and send it to the Editor of the Building Your Future Income Department.

How To Get That "First Thousand"

A Real New England Thrift Talk With Many Valuable Pointers for the Beginner on the Road to Financial Independence

By LELAND M. ALDRICH

> ***THE chief difference between those who have been successful in saving money and those who have not lies in the inability of the latter to make a good start and put aside the First Thousand. On the Road To Financial Independence, the first thousand dollars is the hardest. Before this point one has little incentive to resist the many temptations to use the few dollars already put aside for other purposes. This article is written with a thorough understanding of the problems of the man or woman who still has to save his First Thousand and contains many practical pointers.***

TO my mind the greatest pitfall in the saving of money is procrastination. Nearly everyone is always putting off to the morrow what could be done today in this respect. The majority really want to lay by something but invariably put off the saving of a little sum, thinking it of no use. They wait until they make a "killing" or have something to save they consider worth while as, for instance, $100, whereas the dollars and cents are thrown away. Consequently they never get started because the "killing" is a mirage and never materializes.

If you are going to build up an estate or seek financial independence there is no time like the present. If you can save money in moderate quantities, you have acquired a habit that will expand and develop with your income.

Don't Be Ashamed of Thrift

A great handicap to most Americans, I fear, is false pride. Many of us are too sensitive to what the public or the neighbors may think or say of our actions. Your wife may be afraid to wash her own windows or sweep her own porch or put out her own laundry for fear that she may be deemed too ordinary for the people on her street. Hence, she has these things done for her even if she can't afford it.

The wealthiest or the most cultured people often disregard such ideas, not caring what the public thinks, so it is no disgrace to do as you please. I have noticed in my experience in the brokerage business that the very wealthy client will more often argue over a day's interest than the salaried man. So if the wealthy watch the pennies, why not the rest of us?

If you can avoid these two pitfalls of procrastination and pride, you must now cultivate the right mental attitude. Don't have any false notions as to the ease of accumulating money or building an estate. It requires sacrifice in these days of the high cost of living. Everything gained that is worth while necessitates a certain amount of self-denial and the result generally justifies the effort.

The Budget Helps

Now we are ready to consider the means to the end. The finest agency toward saving money is to have a budget and to stick to it. In my family it works out this way. I give my wife each week a certain portion of my salary. With this she furnishes the table board, pays the gas bill, dresses herself and buys what few things she wants to for the house such as soap, linen, or any small articles of furniture. Being a very good manager and including in her accomplishments, housekeeping, dress making, millinery, etc., she manages to save some of this allowance to put away until I can find a suitable investment for her. I never let her save more than $100 in her checking account at one time.

For my part, I pay the rent, buy the coal, and pay for electricity, the telephone and my life insurance and of course my own clothes. We generally split the expense of our pleasure or take turns "treating" each other occasionally. We have separate checking accounts and separate investments. This arrangement seems to work very well as we are practically independent of the other. Financial questions are the bugbear in many homes and often lead to divorce proceedings.

Having acquired a proper perspective and working arrangement, let us turn to the operation of this policy, which is where to my mind most families fall down. The greatest asset in acquiring a start in a financial way is to practice the habit of thrift. I mean just this: make it a point never to spend money, without getting a proper return, tangible or intangible. Whether it is for pleasure or for merchandise, *get your money's worth.* I have seen families that threw away thousands of dollars in a lifetime on trinkets that merely satisfied a passing fancy.

Cash Policy Is Best

I have always found it was much better policy to pay cash for everything and never to be burdened with long standing debts; rather go without than go into debt. By paying cash you are independent and can demand the best service. Never buy an article that you don't quite want. You will always find a better one later. Charge accounts are easy to build up but hard to discharge and the day of reckoning always comes around at the wrong time. Another point: I purchase where there is the greatest value regardless of the location or reputation of the merchant, providing I know my goods. This latter point is very important and one should develop a knowledge of goods. It saves you money.

When I started housekeeping I paid cash for my furniture. Not being able to get a suitable cash discount in one place I simply went to another merchant, received an attractive discount and was better satisfied with my furniture. I saved $100 on one item in this way. Butter may be 45c. in one store and 60c. in another. Buy where it is the cheapest and watch for sales; 6c. is not much in itself but remember 6c. saved daily for 300 days would represent $18 or the interest on $300 at 6%. If eggs are high in the winter, eat cereals for a while. It will probably do your system good.

Don't humor the merchant by paying high prices and think it is smart. You aren't fooling anyone but yourself and that is what makes prices high. When I was single I spent much money for amusement but now that I am married and have a nice home, I invite my friends in for some fun or read something like THE MAGAZINE OF WALL STREET which improves my mind. You don't need to think in dollars and cents all the time. You can enjoy life very well too. But this is the point: get so that it is second nature to watch your step in money matters if you ever expect to have much money.

Another policy that I have found very beneficial is to control your desire so as not to worry or brood over those things which are temporarily out of your reach. If you have a little patience you will be able to acquire most of those material things you desire, within reason. Half our trouble today is that our minds have been distorted. We believe that since the American standard of living is on a higher plane and because the Lord has placed us in these wonderful United States, we are entitled to participate in this high standard of living regardless of whether we earn the privilege.

If you pursue this course as outlined, it won't be long before you will have accumulated the first $100. You can get 6% per annum on a good investment of this money and this reinvested with occasional profits, which will be according to the amount invested, will soon build up your capital to the first $1,000. If you invest this amount wisely, you can use the security as collateral for acquiring other investments. Please note that this is the only instance where I purchase anything on instalments because I am purchasing something that will carry itself. Reinvest your funds from time to time, taking profits according to well defined investment cycles or conditions. By proceeding along this line I have doubled my wife's capital in two years and been fairly conservative. We are living happily, getting something out of life, sticking to our budget, getting our money's worth, and not worrying about that which we cannot now afford. This is what I call real thrift and a sensible investment program for the small investor.

Convert Your Government Insurance Before July 1st

War Risk Is Best and Cheapest Form of Insurance with Wide Choice of Policies

THE Government has set a time limit of July first for the conversion of War Risk insurance to a permanent basis. This conversion may be made even though the insurance was not kept up since the war. By paying one monthly premium at the rate the insured was paying at the time it was dropped, it can be renewed and converted from a term basis into any one of the six different policies mentioned below upon furnishing satisfactory evidence of insurability.

Those who are entitled to this insurance should, by all means, take advantage of the opportunity offered by the Government to veterans of the past war to obtain the safest insurance in the world at the lowest rate. The cost of administrating this insurance is borne by the Government which reduces the premium rate to a slightly lower basis than the private companies can afford to offer. Converted Government policies have provisions for cash values, annual dividends, total and permanent disability. This insurance is exempt from all forms of taxation and claims of creditors.

The Insurance Department of THE MAGAZINE OF WALL STREET, has consistently recommended that the Ordinary Life plan be applied for in War Risk conversions, because of the Disability Benefit which is *operative throughout the life of this policy.* Thus, if the insured is incapacitated and suffers permanent disability his premium payments cease and he enters on the benefits of the Disability provision which will continue throughout the remainder of his life to pay him a monthly income. *The usual impairments due to old age are construed as permanent disability, rendering the Ordinary Life policy the equivalent of an old age pension.*

However, there are five other types of policy from which you can select in making the conversion, namely: Twenty Payment Life, Thirty Payment Life, Twenty Year Endowment, Thirty Year Endowment and Endowment At Age Sixty-Two. This wide selection of up-to-date insurance policies should meet the needs of everyone. Life insurance companies everywhere have been of a great deal of service to those entitled to this excellent insurance offered by the Government and encourage the conversion of War Risk insurance even to their own loss in many cases.

Ex-service men and women may secure full information about conversion by writing to the U. S. Veterans' Bureau, Insurance Division, Washington, D. C., or to the New York Regional Office of the Veterans' Bureau, 46th street and Lexington avenue, New York City. But remember that the time limit is the end of next month and, if you are entitled to the Government insurance and have not yet arranged to make the conversion, do so while you have the opportunity. If any of our readers have personal problems which would effect the choice of the several types of policies offered, they may address their inquiries to the Insurance Editor for advice concerning the selection of policies.

BYFI Recommends

	Approx. Price	Yield
***Bonds** with a high factor of safety, ready marketability and good collateral value:*		
N. Y. Telephone Co. ref. 6s Ser. "A" '41	108	5.2%
Del. & Hudson 15-year 5½s '37	105	5.1
Bethlehem Steel 1st guar. 5s '42	100	5.0
N. Y. Cent. & Hud. River deb. 4s '34	96	4.6
***Bonds** with a good factor of safety, fair income, good marketability and collateral value:*		
American Sugar Ref, 15-year ref. 6s '37	105	5.4
Anaconda Copper 1st 6s '53	103	5.8
Cuba Railroad 1st 5s '52	93	5.5
U. S. Rubber 1st 5s '47	94	5.5
***Preferred stocks** with ample security, a liberal income rereturn and some possibility of enhancement in value:*		
Famous Players Preferred ($8)	122	6.6
U. S. Smelting & Refining preferred ($3½)	48	7.3
Schulte Retail Stores preferred ($8)	117	6.9
Willys-Overland preferred ($7)	95	7.3

Calumet & Arizona Mining Co.

A Bargain in Copper Stocks

Substantial Equity in Assets Not Yet Reflected in Market Price—Value of New Cornelia Holdings

By FREDERICK WATSON

	1922	1923	1924	1925
Copper production (mil. lbs.)	30.9	42.2	41.9	45.8
Gold and silver yield per ton of copper	$70.96	$79.86	$55.46	$59.24
Surplus (millions)	31.2	29.5	28.6	27.8
Cash (millions)	1.8	.9	1.2	2.2
Inventories (mil. dollars)...	1.2	1.6	1.0	0.6
Net income after depr. and depl. (millions)	1.3	0.5	0.4	1.1
Dividend ($ Per Share).....	2.0	3.50	2.0	4.0

THERE are few mining enterprises that enjoy more than a relatively brief span of prosperity. In a business of this nature, where assets are necessarily used up year by year, it is a question of "making hay while the sun shines," for too often the sun sets never to rise again as far as the usual particular mining property is concerned. Thus we see a large crop of youthful prospects spring up every year to attempt to replace the former standbys and to inspire hopes of sudden riches in their promoters and stockholders.

It is an occasion for surprise, therefore, when we discover a mining company which has paid dividends without interruption for over 23 years and still going strong. This is the record of the Calumet & Arizona Mining Co., organized 25 years ago by Boston interests where so many famous mines have been sponsored. Up to the end of 1925 no less than 54.3 millions had been paid in dividends, an amount equivalent to nearly $85 per share on the number of shares at present outstanding.

Dividends paid in any one year have fluctuated between $2 and $16.50 a share. The latter occurred in 1907 at which time the stock reached a high price of 198. It has never sold below 40 since being listed. Current dividends are at the rate of $4 per annum regular, the last quarterly payment also including an extra of 50 cents.

The remarkably long success of Calumet & Arizona can be attributed not only to the fact that the main property at Bisbee, Arizona, has disclosed continued richness at depth, but also to a policy of conservation. Lack of conservation has contributed largely to the instability of the copper industry. In many cases, particularly with small companies, the temptation to produce at or near maximum, especially when copper prices are above normal, has been too great. As a result, an upward trend in the copper market has been quickly followed by overproduction and its depressing effects.

Calumet & Arizona, however, has done its bit toward stabilizing the industry and at the same time benefited itself by maintaining its production between 3 million and 4 million pounds of copper a month, whereas it has facilities for producing nearly 6 million pounds. It could see no reason for wasting its assets for consumption at the depressed levels ruling for the metal in recent years. When the situation was especially acute in 1921, production was shut down entirely for a period of nine months.

The company operates a large smelting plant which produced 104 million pounds of blister copper last year, 681,662 tons of ore having been treated. The most up-to-date equipment and processes have been employed in the plants, and by-products are utilized whenever possible. The gases from 24 Herreshoff air-cooled roasters pass to a Cottrell dust-collecting plant, whence the dust is taken, together with the burnt ores, to oil fired reverberatory furnaces. Steam is then generated from the waste gases of these furnaces, which in turn develops electricity capable of furnishing power for both the plant and the mine. A further important by-product is sulphuric acid obtained from the gases which would otherwise pass to waste from the roasters.

Control of about 68% of the capital stock of the New Cornelia Copper Co. has also been a vital factor in the success of Calumet & Arizona. The New Cornelia property is situated in the Little Ajo Mountains, Pinia County, Arizona. Calumet's mine is a deep veined proposition involving higher mining costs, whereas New Cornelia is a porphyry mine where the ore is extracted by steam shovels. Cost of production at the latter is low, running around 8 to 8½ cents a pound, which is from 2 to 2½ cents lower than it costs the controlling company to produce copper.

New Cornelia has a capacity of 90 million pounds of copper per annum. It produced just under 70 million pounds in 1925, but current output is averaging considerably higher. The company has been paying dividends at the rate of $1 a share per annum, but early this year it was increased to a $1.20 basis.

Calumet owns approximately two shares of New Cornelia for each of its own shares outstanding. Thus about $2.40 of the $4 dividend of the former is derived directly from the latter. With New Cornelia stock quoted at 20, Calumet's equity therein is worth 40, leaving a market appraisal of only about $20 a share for Calumet & Arizona stock at the current price of 60 after deducting this equity. This seems like a very conservative valuation for the stock of a company which last year earned 1.5 millions before depreciation and depletion, and whose net tangible assets are estimated at more than $53 a share, only a small part of this amount being represented by the investment in New Cornelia as this is carried at a small fraction of its current market value.

Were the Calumet properties near exhaustion, this would sound less plausible, but as far as can be determined such is not the case. With continued uncovering of ore bodies at depth and production well below capacity, prospects are good. The company's ores showed a gold and silver content with a value of $59.24 per ton of copper last year, which, while somewhat smaller than in previous years, was sufficient to allow a credit of practically 3 cents per pound of copper.

Considering the steady income derived from the low cost controlled properties, the demonstrated worth of its own mines, and the substantial equity in assets as yet unreflected in market price, Calumet & Arizona is not excessively valued at around 60, and should prove to be one of the most attractive of the copper group.

SERVICE SECTION

ANSWERS TO INQUIRIES

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Subscribers wishing to avail themselves of the privilege of the Inquiry Department should be guided by the following:

1. ***Be brief.***
2. ***Confine requests for an opinion to three securities.***
3. ***Write name and address plainly.***

CENTRAL LEATHER

I bought 25 shares of Central Leather at 63 and 25 more at 70 because I thought the "big move" had started. When the break came I bought 25 shares additional at 55. Do you think I have any chance of getting out?—R. J. S., Bogota, N. J.

Central Leather's returns for the first quarter of 1926 were disappointing. Net profit of $124,400 was equivalent to only 37 cents a share on the preferred, against $578,726 or $1.73 a share in the first quarter of 1925. In view of depressed conditions existing in the industry, little basis exists for expectation of improvement in the reasonably near future. This company has experienced rather hard sledding over a period of recent years, apparently being unable to conduct its leather operations on a profitable basis. Receipts from its timber sales have enabled it to maintain a strong financial condition, but income from this source has shown a declining tendency which does not augur very well for the future. A reorganization is in prospect, but we are not confident that this will prove the entire solution to the company's problems. Unless you are willing to speculate upon potentialities not very clearly defined, we would advise placing your funds in other directions. A transfer from this issue to Texas Company, treated elsewhere in these columns, should result to your advantage.

UNITED STATES RUBBER

I noticed a report on United States Rubber that it earned "its full proportion" of the preferred dividend in the first quarter. Is this a polite way of saying that the company barely earned the preferred dividend and nothing on the common in spite of the reported increase in its sales? What do you think of the outlook for the common stock; that is the one in which I am interested?—D. A. T., Hoboken, N. J.

Gross sales of United States Rubber in the first quarter of 1926 approximated 46 millions, compared with 40 millions for the same period of last year. In view of unsatisfactory weather conditions prevailing to date, which have retarded tire distribution, the showing of the company might be said to have been quite encouraging. Figuring on the basis of last year's showing, a satisfactory balance should result after due allowance for interest charges and preferred dividend requirements. The outlook for the company might be said to be good. While the decline in crude rubber prices undoubtedly affects the earning power of this company to some extent, it is much better situated than its competitors due to the fact that from 20 to 25% of its requirements come from its own low cost plantations. The stock is a popular trading favorite and as such reflects the general character of the market. However, it now appears to have declined to a point where the worst features of the present situation seem discounted, and a recovery might reasonably be looked for.

ANACONDA

Do you consider Anaconda is likely to show any important market movement this year? I have been very much disappointed by the way the stock has acted. On the advice of a friend I switched from American Smelting to Anaconda when they were both selling at about the same price—about $35 a share. What would you advise me to do?—R. A. E., Philadelphia, Penna.

To attempt to forecast the probable trend of copper metal prices would be a difficult and thankless task. From time to time, copper, the metal, has given promise of better things but invariably it has lapsed into indifferent performance. We know only that stocks in the hands of consumers are relatively small, and that any sustained demand from domestic and foreign quarters would reduce them to a point where advancing quotations would be a natural sequence. We do not share your pessimism in regard to Anaconda. Notwithstanding unsatisfactory conditions prevailing in 1925 the net income of the company was equivalent to $5.84 a share compared with $2.23 in the preceding year. In the past, the company's average cost of production was rather too high to allow a sufficient margin of profit to pay dividends when metal prices were low, but the situation has been vastly improved through the development of its low cost South American properties, as well as its branching out into the field of metal fabrication. Anaconda's dividend is now covered by a comfortable margin, and inasmuch as any change in the industry should be in the nature of improvement, we believe the outlook for the company is good.

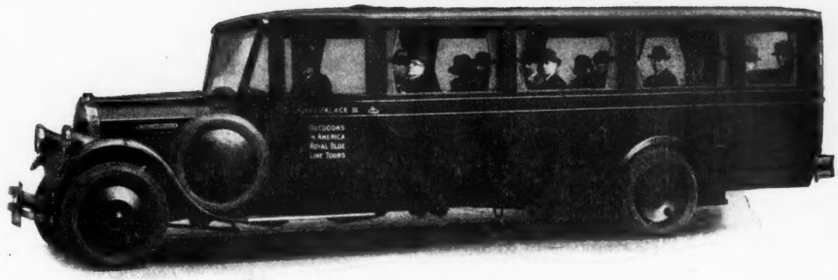
ALLIS CHALMERS

Why should Allis-Chalmers stock drop when the company's reports continually point to increased business and gains in unfilled orders?—F. A. S., Detroit, Michigan.

The decline in the market valuation

(*Please turn to page* 162)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect



A half million people patronize the Royal Blue Line

Since 1912 the history of the Royal Blue Line, operating sight-seeing tours in Boston, New York, Philadelphia, Washington, Chicago and Montreal, has been one of ever-increasing success.

"We have just one thing to sell," says the president of the company, Mr. W. F. Smith, "and that one thing is service—*good* service."

Their service is so good that the Royal Blue Line now is patronized by about 500,000 tourists and sight-seers annually. In Boston last year, about 125,000 tourists were served, 95 per cent of whom came from outside the state.

After years of experience with various types of equipment, the Royal Blue Line now is planning to standardize upon Pierce-Arrow. Seven Pierce-Arrow busses are in service in New England, White Mountain and New York trips.

"We have adopted Pierce-Arrow equipment for long distance touring because we have found it to be the most luxurious and dependable in America," says Mr. Smith.

"Pierce-Arrows have substantially increased our patronage because our customers know that Pierce-Arrows represent the last word in comfort and safety. We hope to standardize upon Pierce-Arrow."

This is only one of the many instances of outstanding preference for Pierce-Arrow equipment which illustrate why the demand for six-cylinder, 100-horsepower Pierce-Arrow busses has multiplied so rapidly. Let the nearest Pierce-Arrow representative give you all the facts.

THE PIERCE-ARROW MOTOR CAR COMPANY
Buffalo, N. Y.

Pierce Arrow
SIX-CYLINDER MOTOR BUSSES

Standard Chassis

offered in 196-inch and 220-inch wheelbase; completely equipped, including starter, battery, 12-volt generator, electric lights, 36x6 single front and dual rear pneumatic tires, and disc wheels. Prices upon application

Terms if desired

Mixed Influences in Business Situation

Wholesale Trade and Manufacturers Are Starting to Feel Effects of Previous Falling Off in Consumption—Oil Industry in Strong Position

STEEL

Variations of No Consequence

BOOKINGS of the Steel Corporation revealed a severe decline in the unfilled tonnage as of April 30; the drop totalled 511,959 tons. This is the largest falling off this year, and since December 31, 1925, unfilled orders have decreased about 1,160,000 tons. The heavy slump in April is not surprising, however, when it is considered that at times during the month the corporation operated at 100% theoretical capacity. This high rate was not accompanied by an influx of new orders; on the contrary, consumers were inclined to pursue a hand-to-mouth policy of buying. Sentiment regarding the future is not quite as pessimistic as it was a fortnight ago, but the market still is a lifeless affair characterized by the marked hesitation of dealers. Accounts from consumers are not particularly encouraging. Oil and gas companies are doing more drilling; and this has brought increased

(*Please turn to page* 185)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1926 High	1926 Low	*Last
Steel (1)	$35.00	$35.00	$35.00
Pig Iron (2)	20.00	18.50	18.50
Copper (3)	0.14⅝	0.13⅞	0.13⅞
Petroleum (4) ..	3.65	3.65	3.65
Coal (5)	2.17	2.02	2.02
Cotton (6)	0.21	0.19	0.19¼
Wheat (7)	2.10	1.83	1.85
Corn (8)	0.81½	0.70	0.70
Hogs (9)	0.13¼	0.11⅝	0.13¼
Steers (10)	0.11	0.10	0.10
Coffee (11)	0.19¾	0.17⅝	0.19¾
Rubber (12)	0.98	0.48	0.52
Wool (13)	0.54	0.45	0.45
Tobacco (14) . .	†0.19	†0.19	†0.19
Sugar (15)	0.04¼	0.04	0.04¼
Sugar (16)	0.05½	0.05⅛	0.05½
Paper (17)	0.03¾	0.03½	0.03½

*May 8.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb. †Change from 1924 to 1925 crop.

THE TREND IN MAJOR INDUSTRIES

STEEL—The sharp drop in unfilled tonnage of the U. S. Steel Corporation as of April 30 was generally expected as a natural consequence of the record breaking output in that month while new bookings fell off considerably.

METALS—The non-ferrous metals show remarkable steadiness in the face of the British strike although buyers are generally hesitant about placing their orders until the real effect of the strike is more clearly indicated.

PETROLEUM—Consumption of gasoline continues to expand and the refineries are starting to move accumulated stocks in response to heavier domestic as well as export demand. Daily average production of crude oil has increased in line with seasonal trend.

SUGAR—A firmer tendency in raw sugar quotations has caused most of the refiners to adjust their price fractionally higher. Cuban stocks are rather high but so far the actual production is running between 12 and 15 per cent lower than former estimates.

RUBBER—Strike news ran the shorts to cover on the local exchange but prices subsided later and market turned into a dull affair. It is unlikely that much of consequence will happen in this market until a change occurs in the British situation.

AUTOMOBILES—Except for curtailment announced by a few manufacturers last month, production continues at high rate. Recent price cut by leading maker in medium priced field is expected to herald more bitter competition.

TIRES—Recent survey shows that dealers are not generally carrying excessive stocks and seasonal increase in replacement demand will soon be felt. Continued high production of new cars provided good outlet for tire manufacturers in original equipment.

COAL—Stocks of "distress" coal that accumulated after strike are rapidly disappearing. Stocks on April 1 amounted to 49 million tons as compared with 60 million tons in previous month and 66 million in February.

BUILDING—Although value of construction started in the first quarter exceeded the corresponding period of 1925 by almost 25 per cent, building has fallen off recently and present outlook is for a smaller volume than last year.

RETAIL TRADE—Sales of mail order houses for the month of April represented an increase of from 6 to 9 per cent over April, 1925. Chain store sales also increased but to smaller extent. General trade is only fair.

SUMMARY—The previously noted falling off in actual consumption of goods has started to work back on the wholesale trade which is now admittedly dull. Production declines are also noted, especially in steel, automobiles and building trade. With this qualification, business conditions are generally satisfactory.

PROFIT OPPORTUNITIES AMONG THE AMUSEMENT STOCKS

(*Continued from page* 135)

franchise agreements with First National. These franchises provide the company with an outlet for the greater portion of its motion picture productions and enable it to exhibit in first-run theatres in practically all the so-called "key cities" in the United States.

This arrangement has the advantage of eliminating fixed capital investments in theatres so that the company devotes all its energies to production and distribution. An extensive chain of exchanges is maintained in several foreign countries. Through these and the domestic exchanges, First National distributes its own productions and those of independent producers.

The company has no funded debt. Current assets of 9.89 millions compared with 3.82 millions of current liabilities at the end of last December. While advances to producers made up 5.59 millions of the former total, financial condition may be considered satisfactory. On the strength of $46.68 a share earned for the 8% preferred in 1924, $28.31 the year before and $78.01 last year (without making allowance for the participation clause) the stock is well protected. *It cannot be regarded as other than speculative owing to lack of seasoning but as a speculation it possesses considerable attractiveness.*

LOEW'S, INC.
Price, 37
Div., $2
Yield, 5.4%

Organized in 1919 as a successor to Loew's Theatrical Enterprises, Loew's, Inc., has now extended its chain of vaudeville and motion picture houses to 105 in various parts of the United States and foreign countries. In the meantime its scope has been greatly enlarged through the acquisition of Metro-Goldwyn Pictures Corp. Thus the company has added the functions of the production and distribution of pictures to its original line, and is now a complete unit in the industry.

There is only one class of stock outstanding, of which there are a little over one million shares. Funded debt until recently has been confined to subsidiary obligations, but within the last few weeks an issue of 15 millions 6% debentures was sold in order to provide funds to liquidate bank loans, facilitate the exhibition of its films in Germany, and acquire new theatre enterprises.

Earnings were fairly uniform for the first few years of the company's history, being in the neighborhood of $2 a share on the stock. How well the enlargement of the company's activities was justified is revealed by the sharp increase from $2.78 in the year ending August 31, 1924, to $4.44 in the last fiscal year. Up to date, this improving trend has shown no let-up as $3.44 per share was reported for the 6½ months ending March 14, 1926. This period includes the best months so that the figure reported does not necessarily portend so favorable a rate for the entire twelve months, but everything points to a record year and a fair prospect for an increase in the dividend over the present $2 a share basis.

The theatre business has contributed towards this improvement. Total paid attendance for the 6½ months ending March 14, 1926, amounted to 47 millions, against 44 millions for the corresponding period the year previous, and 75.6 millions for the full year ending August 31, 1925.

Loew's, Inc., stock is selling on a low yield basis, but from the viewpoint of current earning power it is not overvalued, and barring unforeseen developments there is nothing to suggest any material falling off in income. *At 37, the stock seems among the most attractive of the amusement shares.*

METRO-GOLDWYN PICTURES PFD.
Price, 23
Div., $1.89
Yield, 8.2%

As its title indicates, this motion picture producing and distributing organization is a consolidation of the former Goldwyn Pictures Corp. and the Metro Corp. As is customary with the motion picture producers, Metro-Goldwyn controls a number of theatres in conjunction with its primary business. In addition to the theatres which are operated by subsidiaries, other wholly or partly owned sub-companies are included in the organization. Their purpose is to feature productions of well known authors and motion picture stars.

In addition to its own theatres, however, Metro-Goldwyn has an important outlet for its films through the Loews, Inc., chain of amusement houses. The company is closely affiliated with Loews inasmuch as the latter owns all of the 3.1 millions of $5 par value common stock outstanding. Moreover, the directorate of both companies is much the same. In fact, Metro-Goldwyn is really the motion picture subsidiary of the Loews circuit, although, of course, its finances and operations are independent.

An extensive foreign business is done by the Metro-Goldwyn Distributing Corp., a wholly owned subsidiary, which distributes the parent company's and other producer's films in practically all foreign countries.

In addition to the common stock capitalization already mentioned, the company has an outstanding issue of 4.97 million dollars of preferred stock which is unique in that its par value is fixed at the unusual figure of $27 a share. Dividends are cumulative in the amount of 7% or $1.89 a share.

While inventories make up more than 90% of the company's 12.24 million dollars of working capital, financial position is good. There is no funded debt other than $560,000 of a subsidiary and bank loans at the close of last August were nominal.

Earnings during the past seven years have shown very wide fluctuations. Following large deficits in 1921 and 1922, however, the trend has been progressively upward and in the twelve months ended August 31, 1925, a balance of $10.90 a share was shown for the preferred stock.

This issue is a fairly attractive low-priced spec-vestment. Its possibilities marketwise are somewhat restricted but a further period of seasoning should result in moderate improvement in market value.

SHUBERT THEATRE CORP.
Price, 64
Div., *None*

Shubert represents that branch of the amusement industry which, perhaps by virtue of the resent of age against innovations and frivolity, has come to be labeled "legitimate." That is, the company is occupied in the field of the spoken drama and in musical comedy entertainment. Burlesque and vaudeville attractions have no part in its daily program.

The company exercises proprietorship over a chain of theatres and books entertainments of the dramatic and musical types for its circuit which comprises 92 theatrical houses of the first class. Among the more important cities the circuit embraces New York, Chicago, Philadelphia, Detroit, Boston and London, in addition to many smaller centers in the United States and Canada.

Shubert Theatre Corp. is itself a holding company which came into existence about two years ago. It acquired the businesses of the Shubert Theatrical Co., Sam S. & Lee Shubert, Inc., Shubert Consolidated Enterprise, Inc., and the Winter Garden Co. The present parent organization remains under the direction of the Messrs. Shubert, well known to followers of things theatrical.

While the original units composing the organization date back approximately twenty-seven years, public participation has been recent, for Shubert is one of the later additions to the growing array of New York Stock Exchange listings. The parent company's capital structure is simple, being made up of 6.90 millions of funded debt and 150,000 shares of no par value common stock.

Considerable improvement was effected in financial condition during the six months' period beginning July 1, 1925, as a result of increased earnings. Thus, at the close of December, Shubert had eliminated all its bank loans and current liabilities were down to $740,164, while current assets had increased to 2.75 millions. It is probable that finances have been further strengthened in recent months since earnings for the fiscal year ending June 30, 1926, are semi-officially reported in the neighborhood of $20 a share.

Dividends for the common seem likely in the not distant future. What the

(*Please turn to page* 191)

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 5/12/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchison	125⅜	90¼	111¼	70	140⅛	91¾	139	122	130⅞	7
Do. Pfd.	106¾	96	102⅛	75	98	72	99½	94⅛	99	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	181½	196	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	95¾	83½	86¾	5
Do. Pfd.	96	77¼	80	48¼	67¾	38½	69¾	67½	69¼	4
Bklyn-Man. Transit	..	..	..	..	64	9¼	69¼	54⅛	62¾	4
Do. Pfd.	..	..	..	..	83¾	31⅜	86¼	78	82	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	162	146½	157	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	136¼	112	121⅞	‡8
Do. Pfd.	..	..	..	..	130	96	136	119	†122	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14⅛	9	10⅛	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	14⅛	17	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	81⅞	65¼	69½	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	19⅛	60¾	40½	50	..
Do. 7% Pfd.	..	..	94¾	44	105	64	100	96	†98¼	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	90	83¼	86	6
Delaware & Hudson	200	147½	159½	87	160¾	83¼	174¼	150¼	157¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	153½	129	134½	‡6
Erie	61¼	33½	59½	18¾	39½	7	40	22½	32	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	45⅝	33¾	38	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	46¼	7⅛	43	30	†33	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	68½	72	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	40	35	38⅜	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124	113½	†117½	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	46⅞	24½	43¼	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51	13	49⅜	34¼	39¾	..
Do. Pfd	75½	56	65½	40	63¼	40	64	60⅝	63½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	88½	39½	87	75½	82⅛	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	118	†123	6
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	45½	*¾	47⅛	32	36¼	..
Do. Pfd.	*78¼	*46	*60	*6½	92½	*2	95	82	90	6
Missouri Pacific	*77½	*21⅛	38½	19⅞	41¾	8¼	40¼	27	31	..
Do. Pfd.	..	..	64⅞	37½	91½	22¼	89¼	71½	79½	..
N. Y. Central	147¾	90⅜	114¼	62½	137½	64⅛	135⅝	117	122¼	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	181¾	130	158	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	47	9⅝	45¾	30⅝	35¾	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28⅞	19¾	22⅛	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157¼	139¼	144	‡7
Northern Pacific	159½	101¾	118⅞	75	99⅞	47⅞	76½	65¾	69½	5
Pennsylvania	75⅝	53	61½	40¼	53⅜	32¼	55⅛	48⅝	51¼	3
Pere Marquette	*36½	*15	38⅛	9½	85⅛	12⅛	88½	67	†82	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	85	102⅛	6
Reading	89⅝	59	115½	60⅛	108	51⅞	90¼	79	83¼	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42	40	†40	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	42⅜	40	†40½	2
St. Louis-San Fran.	*74	*13	50½	21	102¼	10¾	101¼	85	90	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	74	57½	67¾	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	27½	28½	..
Do. Pfd.	56½	23½	58	15⅛	51⅛	3	48⅜	31½	33	..
Southern Pacific	139⅛	83	110	75¾	67½	118⅛	104¼	96⅛	100	6
Southern Railway	34	18	36¾	12½	120½	24¾	119¾	103⅝	109½	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	92½	87½	91	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	42⅛	53	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	150	141½	146¾	10
Do. Pfd.	118½	79¾	86	69	80	61¼	78½	74¾	78⅛	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	33⅞	39⅜	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	68	71⅝	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	72	57	†60	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	11	11¾	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	24	16⅜	19	..
Western Pacific	..	..	25½	11	40	12	39¼	33¼	35⅜	..
Do. Pfd.	..	..	64	35	86½	51½	81	77½	79	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	32	18	21⅛	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	37	40	..

INDUSTRIALS

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 5/12/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Adams Express	270	90	154½	42	117¼	22	116	99⅞	†109	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	16	7½	8⅝	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	142	106	114	4
Do. Pfd.	..	..	..	..	121¼	83	121⅞	118¾	†120½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	78¼	80	6
Do. Pfd.	43	40	92	32½	109	67½	110	105	†108½	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	34⅜	15⅛	16¾	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	54½	57	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	38¾	23⅜	25	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	34⅜	17	17¾	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅜	*21¾	58	38⅞	43⅜	2
Do. Pfd.	129¼	98	114½	80	121⅞	72	125¾	121	125¾	7
Am. Car & Foundry	76⅛	36½	98	40	*201	97½	114⅞	91½	93½	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	129	123½	†128	7
Am. Express	300	94¾	140⅛	77½	17	76	140	105⅞	†110	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	17½	7	8	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67¼	33½	38	..
Am. Ice	..	..	49	8⅞	139	37	135¾	109	123	‡8
Am. International	..	..	62¾	12	132¼	17	46¾	34⅛	36	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	75	†76	7
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	119⅞	90¼	93⅞	8
Do. Pfd.	122	75	109	93	124	96½	120¼	117¾	†117½	7
Am. Metal	..	..	..	..	57⅝	38¾	57⅜	47	50	4
Am. Radiator	*500	*200	*445	*235	*345	64	120¾	106½	111	4
Am. Safety Razor	..	..	..	..	76¾	*3½	63	42	†47	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	11⅞	5⅛	8¾	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	144¾	109⅝	116½	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	117½	112⅞	†116½	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	46⅞	40	40	3
Do. Pfd.	..	..	..	..	113⅛	78	115	111	113	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	82¾	65¼	69¼	5
Do. Pfd.	133½	110	123½	106	119	67½	105	100¼	102½	7
Am. Sumatra Tobacco	..	..	145¾	15	120½	6	14⅜	8⅛	9¾	..
Am. Tel. & Tel.	153⅝	101	134⅛	90⅝	145	92⅛	150¾	141	144¼	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale 5/12/26	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	121⅝	111⅜	114	8
Do. Com. B	..	..	..	..	*210	81¼	120½	110⅛	113¼	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	74	43¾	48¾	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	21¼	23¾	..
Do. Pfd.	107¾	74	102	72½	111⅞	69½	89¾	66	71⅞	7
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	51	41½	45⅜	3
Associated Dry Goods	..	..	28	10	*140½	46½	54⅞	37¼	†40	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅞	102½	96	†96	6
Do. 2nd Pfd.	..	..	49½	35	108	38	108	107½	†104	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	59½	44¾	53	2
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	68⅜	33⅛	38½	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	56¼	35¼	†39	..
Atlantic Refining	..	..	..	..	*1575	78½	120¼	97	116	..
Austin Nichols	..	..	..	..	40⅜	8	28	15	16¼	..
Do. Pfd.	..	..	..	..	95	50⅝	93	84¼	†80¾	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	92⅞	102⅜	7
Do. Pfd.	107½	100¼	114	90	118	92	114	105	†108¼	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	38	38⅝	..
Do. 7% Pfd.	80	47	186	68	108	78	105	100	100⅛	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	120	114	116	8
Brooklyn Edison Electric	134	123	131	87	156½	82	146½	133	†139¼	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	73¾	68	73	4
Burns Brothers	45	41	161½	50	147	76	141¼	121	†134½	10
Do. B	..	..	..	..	53	17	44	29⅞	36⅛	2
Butte & Superior	..	..	105¼	12¼	37⅞	6½	16¼	11	†11¾	2
California Packing	..	..	50	30	136½	48¼	179½	121¼	127¼	8
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	38⅛	30⅝	32½	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	7⅛	8½	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	43¼	46½	..
Cerro de Pasco Copper	..	..	55	25	67½	23	69¼	57½	63¼	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	26	13½	14	..
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	30	32¼	2½
Chino Copper	50⅝	6	74	31⅜	50⅞	14¾	21½	16	†19⅛	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	28½	31⅛	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	93	99¼	8
Coca Cola	..	..	..	..	177¾	18	161½	128	146	7
Colorado Fuel & Iron	53	22½	66½	20½	56	20	41¼	27¾	40¾	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	90	63½	76⅜	5
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	21¾	13	13	..
Consolidated Cigar	..	..	..	..	80	11⅜	68	45¼	51½	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	104½	87	92	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	70	73⅝	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	43⅜	35⅝	38⅝	2
Do. Pfd.	98½	61	113½	58⅛	127	96	129⅛	122½	†129	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	64	66¾	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	11½	8⅞	†8⅞	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	49⅝	39⅛	41	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	30¾	24	25¼	2
Cuyamel Fruit	..	..	..	..	74½	44	51	42⅛	44	4
Davison Chemical	..	..	..	..	81¼	20⅜	46¾	27⅛	35⅜	..
Dupont de Nemours	..	..	..	..	271¼	105	238⅞	193⅛	210½	‡10
Eastman Kodak	*No Sales		*605	*605	*690	70	112⅜	106⅝	109¾	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79⅝	71⅛	76¼	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅝	65½	66	5
Do. Pfd.	..	..	..	..	119	84	118	114	117½	7
Famous Players-Lasky	..	..	..	..	123	40	126¾	103⅛	123⅜	8
Do. Pfd.	..	..	..	..	120	66	124	115	122	8
Fisher Body	..	..	43	25	*240	60¼	105¾	79½	83½	5
Fisk Rubber	..	..	..	..	55	5½	26¼	14¾	15¾	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	84¼	76⅞	80	7
Fleischmann Co.	..	..	..	..	*171½	*75	56½	32¼	40½	2
Foundation Co.	..	..	..	..	183¾	58½	179¾	92	96	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	33½	19⅝	31	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	73	50	63	..
General Cigar	..	..	..	..	*115¼	47	59½	46	†50½	4
General Electric	188½	129¾	187¼	118	337¼	109½	386½	285	314	8
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	135¼	113¼	127⅞	‡7
Do. 7% Pfd.	..	..	..	..	115	95⅛	115⅝	113	115⅝	7
General Petroleum	..	..	..	..	59⅛	38⅜	65⅜	49½	60½	3
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	70¾	47⅝	48½	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	100	96½	†98	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	109¾	98½	100¼	7
Do. prior Pfd.	..	..	..	..	109	88	108	105⅜	†107½	8
Granby Consolidated	78¼	26	120	58	80	12	23½	16⅛	18⅝	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	24⅞	27¼	20⅞	21	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	64½	65¼	5
Hayes Wheel	..	..	..	..	52⅞	30	46	31¾	32	3
Houston Oil	25½	8¼	86	10	116½	40⅛	72	50¼	†55	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	61	63½	3
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	17	20	1
Inland Steel	..	..	..	..	50	31⅛	43½	34½	35¼	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	26⅞	20¾	22⅜	2
Inter. Business Mach.	..	..	52⅝	24	176¼	28¾	47	38⅛	†42½	3
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64½	33½	45	2
Inter. Harvester	..	..	121	104	149⅝	66¾	134½	112¼	115½	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	12⅜	7⅝	8¼	..
Do. Pfd.	27⅜	12½	125⅝	8	128½	18½	46⅜	27	36	..
Inter. Nickel	*227¼	*135	57⅛	24½	48½	24¼	46¼	32⅜	34	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	44⅛	47	..
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	21½	12⅝	†13½	..
Do. 8% Pfd.	..	..	101	72	110	33	74¾	56	†55	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	58⅞	49¾	53	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82½	61	†61	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	53½	†57	4
Loew's, Inc.	..	..	..	..	44¾	10	41	34¼	37½	2
Loft, Inc.	..	..	..	..	28	5½	11¼	7	7⅛	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	42¼	35¼	38	3
Mack Trucks	..	..	..	..	242	25½	159	103½	112	6
Magma Copper	..	..	..	..	46	26⅛	44⅞	34	†36	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	17¼	†18½	..
Maracaibo Oil Explor.	..	..	..	..	37½	16	28⅞	20¾	†21½	..
Marland Oil	..	..	..	..	60½	12⅛	60¼	49¼	55	4

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	5/12/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	107¾	111¾	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	12⅛	6	7⅜	..
Montgomery Ward	..	..	..	..	82½	12	82	58	61⅛	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	93¼	74	83	4
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	53	61¼	3
National Enam. & Stamp	30¼	9	54½	9	89½	18½	40½	25	25⅛	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	138	†146	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	44¾	36½	39½	2
Do. Class A	..	..	..	..	57½	45½	60⅜	55¼	†60⅜	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	45⅞	32½	34	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	67	42	46¾	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	50½	49	†49¾	3
Pacific Oil	..	..	..	..	78½	27½	83⅛	51¾	54¾	3
Packard Motor Car	..	..	..	..	48½	9⅞	43⅝	31¾	34	2
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	76½	56⅛	63¾	6
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	56⅞	65¼	6
Philadelphia Co.	59⅛	37	48⅞	21½	68¾	26½	76⅝	59⅛	73¼	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	48⅜	36¼	38½	..
Phillips Petroleum	..	..	..	..	69⅝	16	49⅛	40	44⅞	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	21⅝	23¼	..
Do. Pfd.	..	..	109	88	111	13½	108⅞	76½	87¼	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42½	31¾	†32⅞	..
Postum Cereal	..	..	..	..	*134	*47	124⅞	75½	84	4.40
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	41½	34⅝	†35	..
Do. Pfd.	112	88½	109⅛	69	106	67	87½	84¼	†86	7
Pub. Serv. N. J.	..	..	..	..	87⅞	29	92⅛	72	79¼	5
Pullman Company	200	149	177	106½	173½	87¼	174½	145¼	168½	8
Punta Alegre Sugar	..	..	51	29	120	24¾	47	33	36½	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	31	25⅜	27	‡1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	46⅝	32	42⅞	..
Railway Steel Spring	54½	22¼	78½	19	182	67	68⅞	53¼	62	4
Do. Pfd.	113⅜	90¼	105½	75	122	92½	123	115	†116¼	7
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	12⅞	10½	12½	1
Replogle Steel	..	..	..	..	93½	7¼	15⅞	9	†9	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	45⅛	47½	..
Do. Pfd.	111¼	64½	112⅝	72	106¾	74	95	91¼	†92½	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	50	52	a1.34
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	102½	73	77	4
Schulte Retail Stores	..	..	..	..	134⅞	88	138½	42½	48⅛	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	49½	44¼	47½	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	48⅝	40¾	42¾	a0.96½
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅛	24	24¾	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	39½	39⅞	†2
Simms Petroleum	..	..	..	..	28½	6½	28⅝	18	19	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	24⅞	19⅜	20¾	..
Skelly Oil	..	..	..	..	35	8⅝	36⅛	26⅝	33⅝	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	136½	103	118⅝	6
Standard Oil of Calif.	..	..	..	..	*135	47½	62¼	52½	53¾	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	40¼	44¼	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	118¾	116¼	†118½	7
Stewart-Warner Speed	..	..	*100½	*43	*181	21	92⅞	69⅝	71	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	63½	64	6
Studebaker Company	49½	15¾	195	20	*151	30½	61⅜	48⅞	50⅜	5
Do. Pfd.	98⅛	64½	119½	70	125	76	121	114½	†118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	16	10⅞	11½	1
Texas Co.	144	74½	243	112	57¾	29	54⅞	48	50¾	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	142¾	119½	133⅜	10
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	12⅛	13½	..
Tide Water Oil	..	..	225	165	195	5½	39¼	30¼	31⅛	1½
Timken Roller Bearing	..	..	..	..	59⅜	28½	56½	44⅞	50¼	3
Tobacco Products	145	100	82⅜	25	115	45	110⅜	95¼	96⅝	7
Do. Class A	..	..	..	..	110⅜	76½	113	103	107½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	4¾	3	3½	..
Union Oil of Calif.	..	..	..	..	43⅜	33	49⅜	37¼	42⅞	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	99¼	83⅛	88¼	§3¼
United Drug	..	..	90⅞	64	175⅛	46¼	167	134	143	8
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	58¼	55½	57½	3½
United Fruit	208½	126½	175	105	246	95¾	114⅝	98	103⅜	4
United Ry. Investment	49	16	27½	4¼	41	6	27½	19¾	25⅞	..
Do. Pfd.	77	30	49¼	10½	83¼	14	86¾	65	85⅛	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	210¼	158½	165	10
Do. Pfd.	84	40	67½	30	113	38	104	100¼	102⅞	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	75½	45⅜	49¼	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	48⅛	56¼	4
U. S. Rubber	59½	27	80½	44	143¾	22½	88¼	53⅝	55	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	109	101½	104	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	36⅝	38¼	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	138½	117	120¾	7
Do. Pfd.	131	102½	123	102	126⅝	104	129	124½	127½	7
Utah Copper	67½	38	130	48½	111	41⅛	105	93	100	5
Vanadium Corp.	..	..	..	..	97	19⅛	37⅛	29	33½	3
Western Union	86¼	56	105½	53⅜	144⅞	76	147⅜	134½	139¼	8
Westinghouse Air Brake	141	132½	143	95	144	76	128⅜	105¼	112⅝	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	79½	65⅞	67½	4
White Eagle Oil	..	..	..	..	34	20	29¾	25⅛	27	2
White Motors	..	..	60	30	104½	29¼	90	51⅛	53¼	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	21	21⅞	..
Do. Pfd.	..	..	100	69	123⅞	23	99	91⅛	95	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	5½	3	†2½	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	222	139¼	142⅜	4
Worthington Pump	..	..	69	23½	117	19⅞	44¾	20¼	24	..
Do. Pfd. A	..	..	100	85⅞	98½	65	80	72½	†70	7
Do. Pfd. B	..	..	78⅜	50	81	53½	65	53	53⅞	6
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	89⅞	69⅛	70¼	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. a Paid this year.

Securities

Analyzed, Rated and Mentioned in This Issue.

RAILROADS

Atchison 117, 132
Atlantic Coast Line.... 117
Baltimore & Ohio.... 117
Boston & Maine.... 117
Canadian Pacific.... 117
Central of New Jersey.... 117
Chicago, Milwaukee & St. Paul.... 128
Chesapeake & Ohio.... 117
Chicago & North Western.... 117
C. C. C. & St. Louis.... 117
Delaware & Hudson.... 117
Delaware, Lackawanna & Western.... 117
Erie 117
Great Northern Pfd.... 117
Illinois Central.... 117
Lehigh Valley.... 117
Louisville & Nashville.... 117
New Haven.... 117
Norfolk & Western.... 117
Northern Pacific.... 117
New York Central....117, 132
N. Y., Chicago & St. Louis.... 117
Pennsylvania 117
Reading 117
Southern Pacific.... 117
Southern Railway.... 117
Union Pacific.... 117

PUBLIC UTILITIES

American Tel. & Tel.... 118
Brooklyn-Manhattan 176
Consolidated Gas of Baltimore.... 164
Interborough Rapid Transit.... 131
International Paper....118, 133
Manhattan Railway.... 178
New York Railways.... 178
Third Avenue Railway.... 131

MINING

Anaconda Copper....118, 132, 152
Calumet & Arizona.... 150
Cerro DePasco.... 166
Kennecott 132

PETROLEUM

Atlantic Gulf.... 133
Humble Oil.... 163
Marland Oil.... 121
Phillips Petroleum.... 121
Pan American B.... 121
Sinclair Consolidated.... 121
S. O. of Cal.... 121
S. O. of N. J....121, 132
Texas Co....132, 164
Tidewater-Asociated 121
Union Oil of California.... 121

INDUSTRIALS

American Bosch Magneto.... 118
American Car & Foundry.... 118
American Locomotive.... 133
Abitibi Pulp & Paper.... 133
Allis-Chalmers 152
American Tobacco.... 166
Austin Nichols.... 168
Baldwin 133
Bethlehem Steel....118, 132
Case Threshing.... 133
Central Leather.... 152
Crucible Steel.... 118
Famous-Players 134
First National Pictures.... 135
Fox Films.... 194
Freeport-Texas 141
General Motors....118, 136
General Electric 133
Goodyear Tire.... 132
Colorado Fuel & Iron.... 140
Hayes Wheel.... 162
Hudson Motors.... 132
International Harvester.... 133
International Mercantile Marine.... 133
Lawyers Mortgage Co.... 180
Liggett & Myers Tobacco.... 133
Loews, Inc. 156
Metro-Goldwyn 156
Montgomery-Ward 133
Mortgage Bond Co.... 180
Orpheum Circuit.... 192
Pathe Exchange 191
Pick, Albert Barth Co.... 182
Reynolds Tobacco 133
Savage Arms.... 118
Schulte Retail Stores.... 133
Sears-Roebuck 133
Shubert Theatre.... 156
Stewart-Warner 118, 132
Studebaker 132
Stromberg Carburetor 132
U. S. Distributing 118
United Cigars 133
U. S. Steel.... 132
U. S. Rubber....132, 152
United Cigars.... 133
Universal Pictures.... 134
Vivaudou, V., Inc.... 162
Western Union 118
Westinghouse E. & M. Co.... 133
Woolworth, F. W.... 118

ANSWERS TO INQUIRIES

(*Continued from page 152*)

of Allis Chalmers common stock appears to have been due primarily to general market conditions. In an irregular market with a downward tendency such as we have experienced in the last few weeks, even stocks of proven worth participate to some extent. However, we see no reason for uneasiness on the part of Allis Chalmers shareholders. Net income in 1925 was equivalent to $8.78 a share on the common, against $8.01 per share in 1924. This was but one of a series of increases in net over a four year period. In view of the fact that the company's plants are now working at 93% of capacity, and unfilled orders on the books on April 1st totaled about $10.8 millions, Allis Chalmers should give a good account of itself in ensuing months. The financial condition of the company is sound, it being well fortified with cash and working capital. The stock at present yields a fair return and over a period of time is not unlikely to do better.

V. VIVAUDOU, INC.

About a year ago I bought Vivaudou on your recommendation, paying 11½ for 50 shares. Do you think the time has come to sell this stock? I have almost 200 per cent profit.—S. D. M., Chicago, Illinois.

The marked improvement in the affairs of V. Vivaudou, Inc., bears out our previously expressed contention, that given the benefit of a sound financial position and with the application of modern merchandising methods to operations, this company can be depended upon to give a good account of itself. Net income in 1925 was equivalent to $1.31 a share on the capital stock, comparing with net loss of $442,262 in 1924. During the year, the item of good will was reduced by over one million dollars. The company's financial condition is now sound, and it is understood to be lending money on call. Remarkable as was its showing in 1925, it was fairly eclipsed by the returns of of the first quarter of the current year. Net for three months after proper deductions amounted to $1.23 a share on the common, almost equivalent of its entire 1925 earnings. The trade outlook in this line of endeavor continues good, so that the present showing of this company augurs well for the future. The stock has advanced considerably over your purchase price, but we see no particular need for haste in accepting your profits.

HAYES WHEEL

Last year I bought some Hayes Wheel at $38 a share. I have carried it right along and at no time have had much of a loss or any particular profit. Would you advise me to drop the stock or hold it in expectation of getting a reasonable profit eventually?—F. A. P., Minneapolis, Minn.

Hayes Wheel Company has been one of the first of the automotive equipment concerns to feel the adverse ef-

fects of the slackening in the industry. Net in the first quarter of the year amounted to only $148,987, equal to 60 cents a share on the common, against $222,035 or 95 cents a share earned in the same period of 1925. The financial condition of this company is sound, it being well situated in regard to both cash and working capital, but in view of the fact that a further falling off in business is looked for, it is quite unlikely that this company will do as well from an earning standpoint in ensuing months as it did in 1925. There is, therefore, no solid foundation for the expectation of higher prices for its shares. We do not consider the stock attractive, believing that a switch into Loews, Inc., would be to your advantage. The affairs of the latter company appear to be decidedly upon the up-grade.

HUMBLE OIL

Is it likely that the dividend on Humble Oil will be increased this year? A friend of mine who keeps in close touch with conditions thinks that the distribution will be increased. How did the recent offering of new stock work out? Did I do right to exercise my privilege?—L. V. E., Cincinnati, Ohio.

In view of conditions existing in the oil industry in the last three years the record of Humble Oil during this period might be said to have been truly remarkable. Net profit rose from approximately 5 millions in 1923 to almost 10 millions in 1924 and to 22.6 millions in 1925. On the basis of its showing in the first three months of 1926, earnings should approach the 36 million mark, or the equivalent of $12 a share on the capital stock outstanding. In the light of these earning statements, it is quite likely that action in regard to an increase in the dividend rate will take place at the next quarterly meeting, which occurs in June. Humble Oil has advanced to a position where it is Standard Oil of New Jersey's most profitable subsidiary and its outlook is promising. Proceeds from the sale of its last stock offering enabled the company to clear off its entire indebtedness to Standard Oil of New Jersey. We believe you used good judgment in exercising your privilege.

LOOKS GOOD BUT ISN'T

I took as collateral for a loan, a $1,000, 4% Chicago, Rock Island & Pacific 2002 bond. The party to whom I loaned the money cannot pay me and said I must keep the bond. Where can I sell it and what is the market value?—E. D. B., New York City.

After the Chicago, Rock Island & Pacific was placed in bankruptcy on April 20, 1915, the plan of reorganization, finally adopted and approved on November 14, 1916, carried the terms that the only senior securities exchangeable for securities of the reorganized company were the 20-year, 5% debentures due in 1932. The capital stock of the bankrupt company was also exchangable, but stockholders were assessed $40 a share and received 7% preferred and 100% in common stock. With the funds received through assessment, some of the old funded debt was liquidated. On February 1, 1917, the reorganization plan was declared opera-

tive and the receiver was discharged on June 24, 1917. Since that time the 4% bonds of 2002 have been practically worthless, valuable only to those who tread the by-ways from honesty and who palm the issue off on those of inexperience. Candidly, we think you were duped. Lately, THE MAGAZINE OF WALL STREET has received requests for information on this issue on more than one occasion. The only thing for you to do is to take your loss or make inquiries through your local authorities as to whether a fraud has been perpetrated or not. In either case, you can hardly expect to get your money back. On February 6, 1926, $125,000 worth of these bonds were sold at auction for $85 for the lot.

CONSOLIDATED GAS, ELECTRIC LIGHT & POWER OF BALTIMORE

I am still holding the Consolidated Gas of Baltimore stock about which I wrote you a year or more ago. I bought the stock for $108 a share several years ago and can afford to hold it. Do you think I will get eventually a much higher price for the stock and a better dividend?—H. A. F., Brooklyn, N. Y.

The earnings of Consolidated Gas, Electric Light & Power of Baltimore continue to show a gratifying upward tendency. Net income in the first quarter amounted to 1.74 millions, against 1.62 millions for the same period of 1925. This was equal to $1.82 a share on 825,500 shares of no par value common stock, against $2.03 a share on 701,288 shares of common outstanding in the first quarter of 1925. This company serves, with a minimum of competition, a populous section of the country, and its record over a period of recent years has been one of steadily increasing earnings. In view of the substantial margin by which dividends are earned, as well as the excellent outlook for this company, it is not unreasonable to assume, that in the course of time, shareholders will be rewarded by an increase in the dividend rate. In anticipation of this the stock will most likely seek higher levels. We see no reason to advocate the disposal of your holdings.

TEXAS COMPANY

I note you have several times advised your readers to hold Texas Company stock as an investment. In view of the Government's suit against the company do you think the attractiveness of the shares has been hurt?—P. A. M., New York City.

If your desire is to include an oil stock in your investment schedule, you could hardly do better than to give serious consideration to Texas Company. Texas Company constitutes a complete cycle in the industry, being a successful producer, refiner and marketer of petroleum and its products. Its ramifications are practically universal. The financial condition of the company is sound, current assets at the close of 1925 totalling approximately 140.8 millions and current liabilities 19.7 millions, indicating net working capital in excess of 121 millions. This constitutes an increase of almost 20 millions in working capital over the

(*Please turn to page 166*)

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(*Continued from page* 164)

figures of 1924. Earnings in the late year were equivalent to $6.02 a share on the capital stock against $4.02 a share in the preceding year. Thus, the common dividend was earned more than twice over. The shares have been rather sluggish in the past few weeks, reflecting the institution of the Government suit, but the general consensus is that the Government's fraud claims lack a solid foundation, and that the company's position will be fully vindicated. This suit has been dragging in the courts for two years and the action of the Government in now bringing matters to a head has been welcomed by oil men generally. We consider the shares attractive in their class and well worth retaining.

AMERICAN TOBACCO

Why are the tobacco stocks holding up so well? I have 20 shares of American Tobacco which I bought in 1923 for $148. I am very much inclined to dispose of my stock, for if a depression should come tobacco is one of the first things on which people economize. Am I well advised in my idea?—M. C. W., Washington, D. C.

In view of the fact that American Tobacco Company's earnings in 1925 were the largest in its history and that first quarter sales have shown a still further increase, it is not surprising that the stock holds up well in the market. Net income in 1925 totalled approximately 22.2 millions, a very substantial gain over the 20.8 millions of 1924, which constituted the best previous record. Its financial condition was considerably improved, cash on hand gaining 4.4 millions during the year to the record figure of 19.2 millions. In the past, the company's earnings have not been substantially in excess of requirements, but its very strong financial position has enabled it to pay out the larger portion of its income in the form of dividends. Experience has proved that the business is practically free from the adverse influence of depression. The stock combines investment merit with speculative possibilities and should be retained.

CERRO DE PASCO

Do you still advise me to hold on to 100 shares of Cerro de Pasco for which I paid 41? Is the company interested in the Copper Producers' Export Association, regarding which I read a small newspaper report the other day? How will it affect the company if it is a member—and how if it is not?—J. W. S., St. Louis, Mo.

The operations of Cerro de Pasco were somewhat hampered by unsatisfactory working conditions existing in the early part of 1925, but notwithstanding this handicap, the company was able to show a substantial increase in net earnings. Income for 1925 was equivalent to $5.35 a share on the capital stock compared with $2.87 a share in 1924. During the year, cash, metal inventory and United States Treasury Certificates increased from approximately 18.5 millions to about 22.3 millions. Cerro's troubles are now to a large measure reduced, and even on the basis of present metal quotations the company should give a good account of itself. The ore treated is rich in

(*Please turn to page* 168)

(Continued from page 166)

gold and silver content which renders the company one of the lowest cost producers of copper in the industry. Formation of the Copper Export Trading Company, which will be far more comprehensive than the original Copper Export Association, is a decidedly favorable development, inasmuch as it will tend toward stabilization in both output and metal prices. A list of the component companies is not available, but this combine is all-embracing, and will take in practically all of the important producers and smelters of North and South America as well as the more important European, African and Australian companies. Cerro de Pasco, showing to advantage as it does under conditions as they exist today, should derive its full benefit from this favorable development. In the event of the company not electing to ally itself with this combine it is likely to encounter difficulty in the selling end, particularly abroad.

AUSTIN NICHOLS

I purchased Austin Nichols common stock some months ago, influenced by rumors current at that time that the business of the company was running far ahead of 1925. The sagging off of the common in the open market puzzled me very greatly. However, the company has now made public its annual report, and I find that net profit for 1925 was at a very low figure. Naturally I feel discouraged and wonder if it would be worth while to continue holding my stock.—O. A. M., Washington, D. C.

In view of the fact that Austin Nichol's pack of corn, peas and tomatoes for 1925 ran far ahead of that of the year preceding, the drastic falling off in earnings is rather hard to understand. Net profit of $360,140, after all deductions, was equivalent to only 29 cents a share on the common stock against $952,929 or $4.23 a share in 1924. Apparently, the explanation lies in the fact that the margin of profit was exceedingly slight. Had the financial position of the company undergone any marked improvement, this might have balanced an otherwise poor showing, but as a matter of fact, quite the contrary was the case. Actually, notes payable increased from 6.4 millions to 7.5 millions. After payment of the preferred dividend, the very small balance of $44,650 remained. In view of this unsatisfactory showing, and the poor trade outlook in this line, it will readily be seen that the preferred payment does not rest on the most solid foundation. The stock has declined in investment merit and quoted value, and as matters now stand does not appear in the light of an attractive holding. A switch from this issue to Dodge Bros. preferred is suggested. The prospects of the common are extremely uncertain, and it would be advisable to transfer into a sound issue, such as American Chain Class A, for income and profit purposes.

GENERAL MOTORS CORPORATION

(*Continued from page* 137)

electricity and allied sciences. These pioneers are blazing the trails for the automobiles of tomorrow. While many General Motors divisions are operations of the first magnitude, no one of them could shoulder the responsibility of so comprehensive a research organization, free from routine and seeking only to benefit the industry and the public.

In its manufacturing operations, needless to say, the corporation is always striving to increase efficiency. The Buick division, for example, turned out more cars in 1925 with 16,000 employees than with 24,000 in 1923, the previous record year. It is by such feats that the products of the automotive industry have been made comparatively inexpensive. In every practicable way the benefits of reduced costs are handed on to the consumer. The recent reduction in the expense of financing time purchases, under the General Motors Acceptance Corporation plan, will save some 10 million dollars a year simply to Chevrolet buyers.

Primarily from enlightened self-interest, of course, General Motors never ignores human relations. To avoid any accumulation of stocks that would embarrass dealers, it will change operating schedules overnight if sales lag. To stimulate loyalty, it has several housing companies, through which thousands of employees have purchased homes; a savings and investment plan, under which the corporation contributes 50 cents for every dollar deposited; a bonus plan, providing recognition of exceptional service; and the Managers' Security Company, enabling executives to become partners.

Thus an organization has remained human that has plants in thirty-five cities, representation in 144 countries, 20,000 distributors, 70,000 stockholders, 100,000 employees, a capacity approaching two million cars a year and ramifications affecting incomes in every community. It is somewhat in the fashion of a big brother that General Motors applies brains to displacing obsolete means of transportation and power, motorizing and electrifying the farm, increasing the supply of food, lifting burdens from human shoulders, making life more livable.

Besides providing for "every purse and purpose" by fifty-six different models, priced from $510 upward, of the Buick, Cadillac, Chevrolet, Oakland, Oldsmobile and Pontiac passenger and commercial cars, the GMC trucks and the output of the Yellow Truck & Coach Manufacturing Company, the products of General Motors include "Body by Fisher," Delco-Light electric plants, Frigidaire electric refrigerators, Hyatt roller bearings, New

(*Please turn to page* 172)

(*Continued from page* 170)

Departure ball bearings, Klaxon horns, Harrison radiators, Delco and Remy starting systems, Jaxon rims, A C spark plugs, speedometers and air cleaners and Brown-Lipe-Chapin differential gears. "Anti-knock" Ethyl Gasoline is produced jointly with Standard Oil of New Jersey. Many products are widely used outside the automotive industry. An electric dental engine, for example, has ball bearings that differ only in size from those used in huge sugar mills. The products are distributed, in capitals or on the outposts of civilization, by a world-wide organization of missionaries in the markets of tomorrow.

To promote the use of electric current, also, some 350 power and light companies are engaged in selling the Delco-Light water pumps, washing machines, refrigerators, etc. The rapidly growing popularity of Frigidaire was one of the factors that brought the total profits of General Motors for the first three months of 1926 nearly 100% above the first quarter of 1925. Indications are that the sales of the Delco-Light division, 40 million dollars last year, will reach 80 millions in 1926. On the corporation's 1925 basis of 14.49%, net profit from such sales would be 11.59 million dollars, or not far from $2 a share on General Motors' common stock. To provide for the phenomenal gain in sales of the electric refrigerating system, the plant capacity of Delco-Light has been doubled, bringing the area to the equivalent of thirty-one acres. As with all the products of General Motors, buyers of Frigidaire benefit from General Motors' accumulated engineering knowledge, the facilities of the Acceptance Corporation and the economies resulting from huge purchases of raw material.

The financial structure behind these far-flung activities is simple. There is no bonded debt, and only a few million dollars of 6% preferred and 6% debenture stock. Dividends have always been paid regularly on these issues and the 7% preferred, of which there are approximately one million shares outstanding. Sole voting power is vested in the slightly over five million shares of common. About 25% of this issue is owned by E. I. du Pont de Nemours & Company.

Book value of the common stock, excluding good will, is $68.27. This is high for a motor issue, comparing with $8.71 for Chrysler, $15.50 for Packard, $14.52 for Paige and $15.87 for Willys-Overland. Assets consolidated in the balance sheet of General Motors exceed 703 million dollars. In addition, the corporation owns a large part, or all, of the capital stock of a number of affiliated companies or subsidiaries. Such investments are carried at a total value of 86.18 million dollars. General Motors' holdings in Fisher Body alone, however, have a market value of more than 125 million dollars.

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(*Please turn to page* 174)

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32. The Advantages of Short Selling.
33. How and When to Use Puts, Calls, Spreads and Straddles.
34. How to Buy Securities on the Partial Payment Plan.
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44. The Oil Stocks and the Oil Market.
45. How to Detect Buying Points.
46. How to Become a Successful Trader.
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48. How to Read a Balance Sheet.
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52. The Secret of Success in Wall Street.
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55. What the New Investor Must Know.
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57. How to Make Money in a Traders' Market.
58. What to Do With Your Funds During a Bear Market.
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60. How to Determine Demand and Supply of Securities.
61. How to Make Big Profits with Minimum Risk.
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(*Continued from page* 172)

names in its directorate as George F. Baker, Jr., Junius S. Morgan, Jr., and Pierre S. du Pont, General Motors may be expected to give a good account of itself under almost any conditions. *Preferred dividend requirements are so well secured that the three senior issues have an investment status. The common stock will be influenced by the course of the general market but it has acted much better than the motor stocks as a class. Now on a regular dividend basis of $7 annually, the common received an extra dividend of $5 last January and an extra of $4 was declared this month. The stock's broad outlook seems quite favorable, apart from minor fluctuations incidental to the general market trend.*

MARCH RAILROAD EARNINGS REGISTER AN IMPORTANT GAIN

(*Continued from page* 129)

return of 5.24% in February and 4.83% for March, 1925.

Some surprisingly good results were shown by individual roads. *Baltimore & Ohio* for the first three months this year reported net of $8,176,915 compared with $6,540,474 for the same period of 1925, each month this year having made a very favorable showing. *Canadian Pacific* has been showing consistent gains in net for several months and in March there was an increase of over $700,000.

Other Food Records

Chesapeake & Ohio is demonstrating that the anthracite coal strike was not the determining factor in bringing about large earnings in 1925. In March, when the movement of anthracite coal was practically normal net, nevertheless, increased nearly 50%.

Other roads that made an excellent showing were *Norfolk & Western, Chicago & North Western, Missouri Pacific, New Haven, Atchison* and *Southern Pacific.*

All the anthracite railroads reported very large increases for March, but this was due to an accumulation of business resulting from the strike.

Car loadings in April continued at a record breaking pace and another excellent showing by the railroads is practically assured for this month. Unless general business takes a decided turn for the worst indications are that all traffic records will be broken this year.

Railroad securities have been relatively stable, the general market decline not having had a pronounced effect on their position. A feature has been the unusually lively demand for both high-grade and junior rail bonds. Some switching is noted from speculative industrial stocks to the standard rails.

WHICH NEW YORK TRACTION SECURITIES OFFER THE GREATEST PROFIT POSSIBILITIES?

(*Continued from page* 131)

ough 5s seem to entail more risk than Third Avenue 4s, although interest charges are normally covered by a safe margin, and an early fare increase would place the issue in a strong position.

Gross revenues have shown steady growth, but for many years have left no margin for the stock, although they bid fair to do so in the present fiscal year ending June 30. There is also the contingency in connection with the recent demand on the company to expend large sums for the lengthening of platforms. If enforced, this would place Interborough in a critical position, but it is likely that this question can be satisfactorily adjusted with the city.

On the basis of 1925 earnings, a 6-cent fare would have provided a surplus equivalent to about $26 a share on Interborough stock after allowing for the maximum 7% on Manhattan guaranteed stock. In actual practice, however, this figure would be considerably reduced by reason of amounts due the city as return on its investment in subways, payments for which are far in arrears. While having undoubted possibilities, *Interborough stock is still primarily attractive only to the speculator.*

BROOKLYN-MANHATTAN

This company has the distinction of being the only New York traction to pay dividends on its stock issues, if the compulsory payments on Manhattan Railway stock are excluded from consideration. Its more favorable position was made possible by the housecleaning resulting from the receivership and subsequent reorganization. Even so, revenues have not been sufficient for needed expansion, but the company has been fortunate in operating in rapidly growing communities where the traffic on existing lines has steadily increased.

Earnings are now running in excess of the $4.65 per common share shown in the last fiscal year. The regular $6 dividend on the preferred has been in effect for two years, while the common has recently been placed on a $4 annual basis. A flat 6-cent fare would have produced earnings of over $15 a share on the common in 1925, and a 7-cent fare about $26 per share.

It will be observed that the relative improvement under an increased fare would be smaller than in the case of the common stocks already discussed, due to the fact that its present position is so much stronger, but at the same time there are ample possibilities, *and Brooklyn-Manhattan common is by far the safest commitment among*

(*Please turn to page* 178)

(*Continued from page* 176)

the traction common stocks, and attractive at recent levels in the low 60s.

Some of the subsidiary bonds provide interesting opportunities, especially the Brooklyn Queens County & Suburban 1st Consolidated 5s of 1941 yield almost 10% to maturity. It is true that the earnings of this subsidiary have not shown up well, but large sums have been returned to the property, and the lines are among the most important in the system. It is extremely unlikely that Brooklyn-Manhattan in its present state of relative prosperity would allow any default on this small issue.

NEW YORK RAILWAYS

Having recently undergone another of several reoganizations, this system is in better shape than for some time. The company operates the greater part of the street railways in Manhattan. Earnings since reorganization have shown but little excess over interest requirements on the underlying bonds, but are gradually improving, and there are indications that perhaps 3% will be shown on the Income 6s of 1965 in the present fiscal year. No interest has yet been paid, but it is cumulative from January 1, 1925. Interest can be disbursed at the discretion of the directors, but only out of earnings.

At best it will be some time before the full 6% can be paid, but in view of the possibility of increased fares, the prospect of bus franchises, and the arrears in interest, the Income 6s represent a fair speculation at around 33.

MANHATTAN RAILWAY

This system, comprising the elevated lines in Manhattan, is under lease to the Interborough Rapid Transit Co. for 999 years. The term of the lease were modified in 1922 in order to avert a receivership for the operating company.

The same contingencies mentioned in connection with Interborough apply to some extent to the securities of Manhattan Railway, but the Consolidated 4s of 1990, secured by first mortgage on the entire property and guaranteed by Interborough, represent a good business man's investment at the prevailing market level of about 65.

On the present basis the Modified Guaranteed stock is entitled to $5 per share annual dividends payable only if earned, but compulsory to the extent of earnings. After Interborough common receives $4 dividend, the two issues share equally until a maximum of $7 is paid on Manhattan. Disbursements under the modified plan have not been met in full regularly, but it is probable that arrears will be cleared up this year.

Any increase in fares would produce earnings to provide a substantial margin over requirements on Manhattan Modified, and eventually lead to larger dividends. *At* 51 *the stock has reflected the improved outlook to a much less extent than Interborough common, and next to Brooklyn-Manhattan may be regarded as offering the best opportunity among the traction common stocks from the point of view of immediate yield and diminished risks.*

Bank and Insurance Stocks

Quotations as of Recent Date

NATIONAL BANKS:

	Bid	Asked
American Ex-Pacific (16.50)	425	432
Chase (20A) (D)	420	424
Chatham & Phenix (16)	340	345
Chemical (24)	740	750
City (20A)	595	600
Commerce (16)	365	370
First (N. Y.) (100A)	2570	2600
Hanover (27)	1030	1060
Park (24)	490	498
Public (16) (D)	525	530
Seaboard (16)	600	610

TRUST COMPANIES:

	Bid	Asked
Bankers (20)	602	610
Bank of N. Y. & Trust Co. (22)	595	610
Brooklyn (30)	710	720
Central Union (33)	830	840
Empire (16)	342	345
Equitable (12)	263	270
Farmers' L. & T. (16)	495	500
Guaranty (12)	350	358
Irving-Columbia (14)	310	315
Manufacturers (18)	495	500
New York (20)	495	505
United States (60)	1700	1750

STATE BANKS (NEW YORK):

	Bid	Asked
America (12)	345	...
Corn Exchange (20)	545	555
Manhattan Co. (8C)	218	224
State (16)	585	600
United States (10)	295	300

INSURANCE COMPANIES:

	Bid	Asked
Aetna Fire (24)	540	550
Aetna Life (12D)	600	615
*Fidelity-Phenix (6)	169	170
*Continental (6)	124	127
Glens Falls (1.60)	37	40
Globe & Rutgers (28)	1375	1425
Great American (16)	282	287
Hanover (5)	183	190
Hartford Fire (20)	465	480
*Home (18)	336	340
*Carolina (1)	28	31
Milwaukee Mech. (2.20)	32	35
National Fire (20)	700	710
Niagara (10)	228	235
*North River (4)	105	115
*United States (4.80)	138	145
Stuyvesant (6)	210	220
Travelers (20D)	1040	1060
Westchester (2.50)	45	46

SURETY AND MORTGAGE COMPANIES:

	Bid	Asked
American Surety (8)	170	175
National Surety (9)	205	213
Lawyers Mortgage (14)	260	268
Mortgage Bond (8)	135	145

JOINT STOCK LAND BANKS:

	Bid	Asked
Bankers of Milwaukee (4E)	110	120
Chicago (10)	133	140
Dallas (10)	135	145
Denver (8)	127	135
Des Moines (4E)	100	110
First Carolina (8)	120	130
Kansas City (10)	133	140
Lincoln (9)	130	135
St. Louis (9)	160	165
Southern Minnesota	105	115
Virginia (.50B)	7	7½

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. (D) Ex-rights. (E) Annual rate not definite. Based on Jan. 1st payment. *Members same group.

BANK and insurance stocks have had a backing and filling market, not very dissimilar to the general securities market, with slight recessions governing at the end. It is notable, though, that the area of trading has gradually become smaller, so that in reality the market is showing more stability than was the case in March and April. In view of the great fundamentals upon which purchases of bank and insurance shares should be made, these slight variations in the market quotations should be of minor interest to the investor.

A new section has been placed in our table of companies engaged in the issuance of mortgage bonds guaranteed by their own resources. The two listings of *Lawyers Mortgage Company* and *Mortgage Bond Company* are logical in beginning these listings. Both companies are conservatively managed and conservatively capitalized, and they are engaged in a growing field. Adequately guaranteed mortgage bonds have a really impressive prospect, irrespective of real estate developments in the near future, and ultimately such companies as issue guaranteed bonds ought to obtain larger and larger slices of prime mortgage business. These two listings are grouped with American Surety and National Surety, largely because the two latter companies have gone actively into the guaranteeing of real estate mortgage bonds. Where state laws limit such risks to a safe proportion, where risk is distributed widely, where adequate re-insurance is

effected and where the utmost scrutiny has been made of the valuations back of the mortgage bonds so guaranteed, it seems likely that this business will be a source of good profits to the insuring companies.

Among undervalued insurance stocks, *Continental* seems to stand out as the most attractive. Selling at about 125, it is extraordinarily cheap. Book value per share is given by statistical tables at $109 (par is $25), but is in reality much higher. The company's assets are practically all liquid, and in the case of real estate holdings, greatly undervalued. Total assets are 67.7 millions, which ought to be corrected to at least 75 millions. Liabilities include unearned premiums of 26.2 millions and losses in process of adjustment are 2.8 millions. All other claims are carried at $777,000. Two reserves, one for contingencies and dividends of 1.73 millions, and the other against market fluctuations in securities, of 3 millions, can be disregarded in view of the actual dividend and assets position of the company, and should be added to true surplus. As such it may be assumed that the real net assets of Continental are 75 millions, less 26.2 millions unearned premiums, 2.7 millions losses in process of adjustment and $777,000 claims. This would bring surplus to over 45 millions, and bring book value to 55 millions (capital is 10 millions). It must also be remembered that unearned premiums are an altogether special kind of current liability, in that were a company to liquidate, it could obtain cash for most of the account.

On the basis of book value of 55 millions, the 400,000 shares of Continental are conservatively worth $137 per share, or $12 in excess of market price. Income from investments last year was $6.72 per share. At present dividend rate of $6 per annum, yield on basis of prevailing price of $125, is 4.80%. The stock may be recommended for investment and long-pull profit.

WOULD YOUR PRESENT INVESTMENT PROGRAM STAND UP IN "HARD TIMES"?

(*Continued from page* 143)

they are scarce (and consequently will buy more) and to have dollars going out when they are plentiful.

Of course, no one can ever be definitely sure of what the future will bring, but still, you are not "speculating on the future" merely by arranging an investment program that will stand you in good stead should unfavorable business conditions materialize *at any time.* To have a certain portion of your investments in liquid condition, or in other words, where you can get your money out without loss, is a means of investment protection. Irrespective of the business or money outlook, this is always considered judicious and conservative investment practice.

New York Curb Market

IMPORTANT ISSUES

Quotations as of Recent Date*

Name and Dividend	1926 Price Range High	1926 Price Range Low	Recent Price
Albert Pick Barth wi	10⅜	10	10⅜
Amer. Gas & Elec. (1)	99⅜	64	74
Amer. Super Power A (1.5)	37⅞	19½	24¼
Amer. Super Power B (1.5)	39	21	24⅞
Centrif. Pipe (1)	27	16½	16½
Cities Service New (1.2)	42⅛	37½	41
Cities Service Pfd. (6)	85	82⅜	85
Continental Baking B	30½	10¼	12
Continental Bak. Pfd. (8)	101	86¼	90
Curtiss Aero	23⅞	15⅛	16½
Curtiss Aero Pfd. (5)	89½	77	77
Durant Motors	13¾	5¾	6
Elect. Bond & Share (1)	86	56½	65⅛
Electric Investors	74½	30¾	35⅛
Ford Motor of Canada (20)	650	440	498
General Baking A (5)	70¼	44½	50
General Baking B	17⅞	5	5⅞
General Ice Cream (2)	56⅝	47½	49
Gillette Safety Razor (3)	114	89	93
Glen Alden Coal (7)	171	138½	158
Goodyear Tire & Rubber	40	29¼	31
Gulf Oil (1.5)	93¾	82	84
Happiness Candy Store (50c)	8¼	6½	6½
Hecla Mining (1)	19¼	15½	16¾
Horn & Hardart	62⅞	41	51¼
International Utilities B	9⅞	4⅛	5½
Lago Oil & Transport	25⅞	16¾	18⅞
Land Co. of Florida	47¾	21	25½
Lion Oil & Refining (2)	25¾	21	21
Metro Chain Stores	50½	25½	28
Mountain Producers (2)	26	23	24½
New Mex. & Arizona Land	17	9⅛	10¾
Nipissing Mining (60c)	7½	5⅛	5⅝
Northern Ohio Power	26⅛	11	13¾
Pacific Steel Boiler	16⅜	11	11⅜
Reo Motor (80c)	25⅜	19¼	19¾
Rickenbacker Motor	9½	4	4
Salt Creek Producers (80c)	36	29	30¾
Servel Corporation A	30½	15⅛	22¾
Southeast Pwr. & Lt. new	46¾	20	25½
So'east Pwr. & Lt. Pfd. (4)	65⅛	59	63½
Stutz Motors	37¾	19	26
Trans Lux	14	7¼	7¾
Tobacco Products Export	4⅞	3⅝	3¾
Tubize Artif. Silk	240	161	165
Victor Talking Machine	97⅜	68	81

STANDARD OIL STOCKS

Name and Dividend	1926 Price Range High	1926 Price Range Low	Recent Price
Continental Oil (1)	25⅞	19½	20⅞
Humble Oil (1.2)	99⅝	52	63½
International Pet. (50c)	35¼	28¾	32
Ohio Oil (2)	67⅜	59	59
Prairie Oil & Gas	60¼	48	54¼
Standard Oil of Ind. (2.5)	70½	61¼	64
Standard Oil of N. Y. (1.4)	47¼	30	31⅛
Vacuum Oil (2)	109⅜	94⅛	97½

*Dividends quoted dollars per share, May 12.

CURB prices have shown a definite tendency to sag in the comparatively dull trading days of the past fortnight. Losses during this period ranged from a point to five points with larger recessions in some of the higher priced issues such as *Tubize Artificial Silk* which fell off almost twenty points during the fortnight to a level only fractionally higher than its low price for the year. Throughout the list, and especially in the industrial issues, a number of new lows were reached. Public utilities and oil shares, which heretofore showed the greatest strength, were noticeably influenced by the general trend.

Ford Motors of Canada, which had been under severe liquidation in recent weeks, recovered more than 30 points of the ground previously lost on a rally based largely on the fact that previous selling was somewhat overdone. *Stutz Motors* continued to advance into higher ground, the movement being aided considerably by official announcement of approximately 7 million dollars in unfilled orders on the books of the company at the present time. Other Curb motors were weak.

The voting trust certificates for the common shares of *Albert Pick, Barth & Co.,* a newcomer in the Curb have made a good accounting from the market standpoint, having advanced in the face of a receding market since they were recently admitted to Curb listing. These shares found their way to the Curb in connection with the consolidation of two leading hotel and restaurant supply companies, the new company being the largest of its kind in the world. The combined sales of the two constituent companies were 26.5 million dollars last year, these figures representing an increase of over 600% in sales volume during the past ten years.

The consolidated company is capitalized with two classes of shares of which

(*Please turn to page* 187)

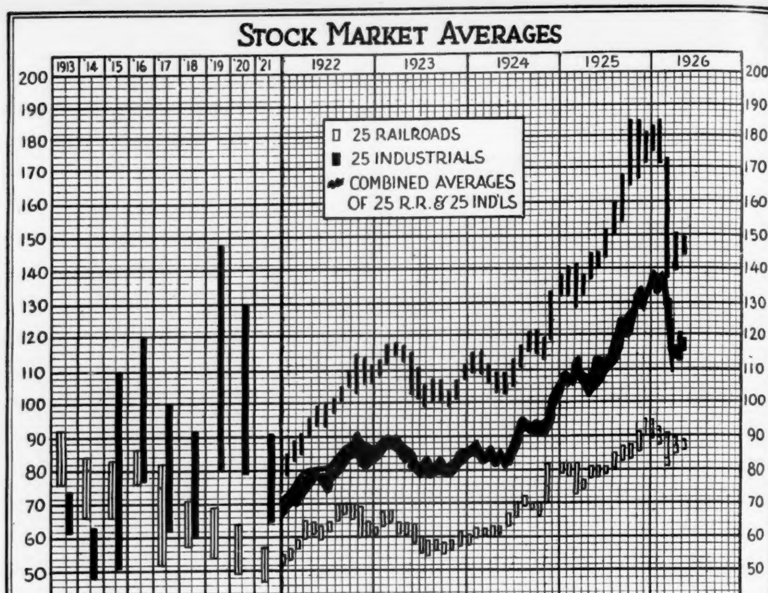
ESTATE BUILDING WITH LIFE INSURANCE

(Continued from page 145)

family. He can advise you, out of the wealth of his wide experience with the problems of other individuals and his familiarity with what insurance can do, what is the best program for your particular needs and income. These agents form a competent army of home-budget advisors for the people. They today come in closer contact with the families of the country than almost any other class of business men or counsellors.

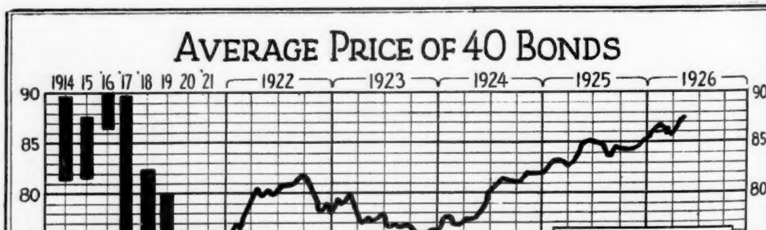
The fact that more life insurance protection is being bought in the United States than ever before and that the individual policies are for larger amounts demonstrate that the people of the United States are studying these questions and acting with an intelligence never before displayed. Whereas at the beginning of the Twentieth Century, 13 per cent of our population were insured, today practically 50 per cent carry such protection. Twenty-five years ago the average new ordinary policy was for $1,930, while today the average new ordinary policy is for $2,850.

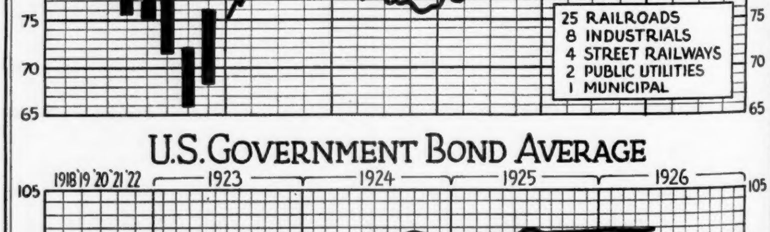
The man who today wisely leans on the sustaining power and pledges of life insurance may contemplate a future bright with promise. Unshackled from the worry that would otherwise restrict him, he is permitted to throw all his energies into his daily business with a mind at ease. In exchange for a small investment life insurance safeguards the potential widow; educates children; allows business men to embark upon enterprises that often open wide the door to material success; and brings the inestimable boon of peace of mind to the millions in this country who have had the comprehension to grasp what it offers.



MARKET STATISTICS

	N.Y.Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, Apr. 29.	87.53	144.43	108.94	120.16	118.96	1,470,745
Friday, Apr. 30....	87.61	143.71	108.29	119.73	118.45	1,167,565
Saturday, May 1...	87.58	143.40	107.89	118.73	118.75	473,675
Monday, May 3....	87.33	140.53	106.41	118.12	115.78	1,523,980
Tuesday, May 4...	87.31	141.38	107.05	117.39	115.63	1,014,978
Wednesday, May 5.	87.32	141.49	107.16	117.85	116.98	658,763
Thursday, May 6...	87.35	142.13	107.22	117.79	117.07	601,098
Friday, May 7.....	87.37	140.10	106.48	117.59	116.28	796,410
Saturday, May 8...	87.38	140.23	106.27	116.57	116.18	354,130
Monday, May 10...	87.28	138.87	106.00	116.57	115.15	1,187,668
Tuesday, May 11...	87.39	139.05	106.29	116.81	115.62	756,376
Wednesday, May 12	87.50	139.78	106.75	117.65	115.92	969,652





TRADE TENDENCIES

(Continued from page 154)

activity in pipe line laying. Outside demand on bars is down somewhat, largely as the result of heavy buying which took place during the first quarter. Purchasing of finished steel is of moderate proportions. Signs of improvement are appearing in the shipbuilding industry; and buying by the railroad equipment houses has perked up a bit. Lower prices reflect dullness in the sheet market.

Domestic pig iron is momentarily in better demand as the result of the strike in England. Production of pig iron gained about 3½% during April, and the output is the largest of any corresponding period during the past three years. This high production rate suggests that cuts may occur in the East, in spite of producer's claims that firmness now prevails. Indications that the pinnacle has been reached in output are to be found in the blowing out in April of four steel furnaces.

METALS

The non-ferrous metals have been somewhat uneasy due to British strike developments but on the whole have been surprisingly steady both in the London and the domestic market. London prices have sagged off fractionally, but in New York the narrow range of fluctuations holds within the well defined limits of the previous weeks. The strike abroad affects consumption exclusively as far as metals are concerned and, unlike a number of other basic industries, exerts no direct influence on production. The behavior of the metals markets through this emergency brings out quite unmistakably that foreign demand is a minor influence in the market at present. Copper, zinc and lead output remains at a high level and domestic consumption for these metals continues entirely satisfactory. The only adverse factor from the price standpoint is the lack of support from foreign sources. The proposed copper export selling agency, which now appears to be a certainty, is hoped to remedy this factor to a considerable extent.

Copper can still be had under 14 cents a pound, but even at the prevailing price consumers are mainly buying for their immediate needs only. Copper statistics for April are expected to show little change from the previous month. Whatever changes may be noted will probably be a slight increase in surplus stocks. The open market price of lead advanced nominally but the leading smelter continues to quote the metal at 7.85 cents. There is no fundamental change in the relation between present supply and demand to warrant any change in the posted price for the immediate future at least.

Correction

In our issue of April 24, page 1209, we made the statement, on what we considered good authority, that three railroads, "the Pennsylvania, Louisville & Nashville, and Philadelphia & Reading, are already active in the building of their own locomotives." We are officially informed, however, that the Louisville & Nashville has built no locomotives in recent years and that the company is not competing with the equipment manufacturers in this respect.

Commodities

COTTON After excessive worries about the late season and possible damage to the new crop, warmth and moisture in the needed areas restored confidence in the size of the crop. For once all technical and market situations have been eclipsed by the crude question of size of crop. Not even the disturbances in England and Poland played as great a part, despite the huge consumption of our cotton in Lancashire and Poland. Acreage of 1925 has been at least maintained, boll weevil emergence has not been startling, fertilizer has been extensively bought. All conspire to create confidence that the new crop will rival 1925 provided the weather co-operates. As such there can be little doubt that cheap as cotton is today, December delivery may even break through the 17-cent quotation.

Technical interests now paramount are the proposal on the New York Cotton Exchange to limit the position of any one firm in any one month to 250,000 bales. More important still is the agitation to make Southern delivery effective against New York contracts. Undoubtedly such a move would diminish the premium artificially enjoyed by near month delivery, and hence would result in a smoother market generally. No person interested in cotton can afford to neglect these possible 1926 developments, which rival the crop in interest. Last quotations, middling spot 18.85, July 18.35, October 17.42, December 17.50, January 17.44.

WHEAT Wheat has exhibited two main features—one, an overbought condition at Chicago and secondly, export strength at Winnipeg, with consequent premium over Chicago above the standard differences. Market has been ca'canny, awaiting the winter wheat harvest, which is proximate, and the hedging operations that will follow in course. Winter wheat forecast as of May 1 was 549 million bushels as against 398 million bushels last year. Prediction of frost influence on spring wheat was common. Naturally, the British crisis edged off the market, not so much by direct influence, as by bringing out its overbought condition. Polish crisis, if anything, was more evident as a market factor. On the whole, bearish tendencies are ruling, and should continue to rule for the present. Chicago closed, July 1.36, September 1.33, Winnipeg closed, July 1.51, October 1.33. We are still favoring October at Winnipeg, but would advise a fortnight's delay before commitments.

CORN Light receipts have been the feature of corn, although there is much talk of the old crop moving to market within a month. Planting has been heavy despite last year's disappointing prices. Buying has been scattered, so that a lag must be expected before a stiffening of prices can be expected. September is out of line at 79 cents.

WHAT THE BRITISH STRIKE DISCLOSES

(Continued from page 111)

ror if not facing the facts of the situation in sufficient time to avert the consequences. It needs only the British contrast with our own methods to show how infinitely superior are the latter though they are by no means perfect. American workers, enjoying the highest wages in the world and the greatest comforts of life, something unknown among the European working population, clearly owe a vote of thanks to their more far-sighted and efficient employers. Without the efficient policies adopted by American business men, our workers would probably be in the same position as those in England today. While the ending of the British general strike is a source of relief, it fails to obscure the fact that British and European, for the most part, industrial methods are backward as compared with our own.

NEW YORK CURB MARKET

(Continued from page 182)

there is outstanding 296,115 shares of no par value preferred paying $1.75 a year in dividends and 580,000 shares of common. There is also a small issue of subsidiary bonds outstanding. After August 15, 1926, the present issue of preferred is convertible for another issue of preferred which has a profit sharing feature. A recent audit of the income account up to February indicates earnings at the rate of $1.60 on the common stock.

In Strong Position

The company has a strong cash and quick asset position and is well prepared both financially and physically to further expand its already extensive hotel furnishing business and to benefit from the unified operation of the two leading organizations in this field. The accounts of the new company show more than one hundred and twenty-five active customers, among which are included some of the largest and most prominent hostelries in the country. In view of the reasonably assured outlook for continued steady growth of earnings, this issue of common stock appears to have interesting long range speculative possibilities.

The replacement of merchandise by restaurants alone is estimated to aggregate a yearly expenditure of over 150 million dollars, and chinaware replacement required by hotels through ordinary wear and breakage involves expenditures of another 30 million. The necessity for replacement provides the company with unusually stable earnings, as half of the annual sales originate from this source.

WILL INVESTMENT RAILROAD SHARES AGAIN SELL AT OLD HIGH PRICES?

(Continued from page 117)

holders have good reason to look forward to special disbursements of the owned stocks from time to time.

The Market Viewpoint

There are many angles to the market position of the rails. It is known that banks have purchased heavily, and that offerings are few. A slight demand, sometimes for only a few hundred shares will often result in a 3 point spread. The small floating supply will send quotations up all the faster, once rails begin a big advance. But in the long run, this is a minor factor. The true basis for bullishness on the rails is their present undervaluation.

In the table accompanying this article, it is shown that 1925 earnings of the twenty-six roads there listed, averaged $12.50 per share. On the 1913 basis (already low) earnings should equal 8.4% of market price. These stocks should sell at an average of 150. But as a matter of fact they now sell for only an average of 118.

In the last column we give our definite forecast of maximum prices. These average 154. In this price, all constructive factors have first been computed and then been discounted. Despite this the future prophesied here is just about the 1913 level.

The Possible Gain

At present price, regular and extra dividends yield more than 5%. On the basis of future average price of 154, the enhanced dividends would result in that yield still exceeding 5%. Hence, conservatism has dominated the forecast, and still an average gain of 36 points is indicated for railroad common stocks in the list.

But by far the most convincing revelation of the position of the rails is afforded by a comparison of their price in relation to earnings, as compared to utilities and industrials. The accompanying graph makes clear the difference. The twenty-six rails listed in our table show earnings as 10.6% of market price. The eighteen industrials in the Dow Jones averages now show earnings as 9.7% of the market price, while even after the shake-out of the utilities, ten solid and leading stocks show earnings as 9.2% of market price. On the utilities' basis the twenty-six rails should sell not at an average of 118 but at 137, and on the industrials' basis at 129. When it is remembered that for the utilities a healthy deflation has taken place, while the rails are fundamentally undervalued, this market undervaluation in comparison with other groups completes the diagnosis that for a long pull, standard rails are cheap.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$4	Amer. Metal cm.....	$1.00	Q	5-20	6-1
$7	Beth. Steel 7% pf...	$1.75	Q	6-1	7-1
$8	Beth. Steel 8% pf...	$2.00	Q	7-1	7-1
$4	Atlas Powder cm....	$1.00	Q	5-28	6-10
$2	Brown Shoe	$0.50	Q	5-20	6-1
$8	Calif. Packing	$2.00	Q	5-29	6-15
$2	Calif. Petrol.	$0.50	Q	5-20	6-1
$6½	Ches. & Ohio pf.....	$3.25	SA	6-8	7-1
4%	Chic. & N. West. cm..	2%	SA	6-1	6-30
7%	Chic. & N. W. pfd..	3½%	SA	6-1	6-30
$2½	Chile Copper	$0.62½	Q	6-2	6-28
$9	Delaware & Hudson.	$2.25	Q	5-28	6-21
8%	Diamond Match.......	2%	Q	5-29	6-15
$3	Fairbanks-Morse cm..	$0.75	Q	6-15	6-30
$7	General Cigar pf....	$1.75	Q	5-22	6-1
$3	Hayes Wheel cm....	$0.75	Q	5-25	6-15
$7½	Hayes Wheel pf...	$1.87½	Q	5-25	6-15
7%	Nat'l Lead pf.......	1¾%	Q	5-21	6-15
$7	Norf'k & West. cm..	$1.75	Q	5-29	6-19
$4	N. Y. Air Br. "A"	$1.00	Q	6-9	7-1
$2	Orpheum Cir. cm..	$0.16⅔	M	5-20	6-1
$4	Phillips-Jones cm....	$1.00	Q	5-20	6-1
$7	Pr. St'l Car n. pf...	$1.75	Q	5-29	7-1
$2	St. Joseph Lead.....	$0.50	Q	6-9	6-21
—	St. Joseph Lead.....	$0.25	Ext	6-9	6-21
$4	Stand. Gas & El. pf.	$1.00	Q	5-29	6-15
$2	Std. Oil Cal. new...	$0.50	Q	5-22	6-15
$3	Timken Roll. Bear..	$0.75	Q	5-19	6-5
—	Timken Roll. Bear..	$0.25	Ext	5-19	6-5
$10	U.S. Cast Ir. P. cm.	$2.50	Q	6-1	6-15
$7	U.S. Cast Ir. P. pf..	$1.75	Q	6-1	6-15
$3	U.S. Hoff. Mch. cm..	$0.75	Q	5.20	6-1
—	U.S. Hoff. Mch. cm..	$0.25	Ext	5-20	6-1
$2	Vacuum Oil	$0.50	Q	5-29	6-19
—	Vacuum Oil	$0.50	Ext	5-29	6-19
—	Ward Baking "A"..	$2.00	Init	6-15	7-1
$4	Weber & Heil. cm...	$1.00	Q	6-16	6-30
$4	White Motor	$1.00	Q	6-15	6-30
$3	Wrigley, Wm.	$0.25	M	5-20	6-1

AFTER THE ST. PAUL RECEIVERSHIP—WHAT?

(*Continued from page* 128)

of the gain in St. Paul's revenues, whether made by engineers such as Coverdale & Colpitts on the one hand, or their most bitter opponents, on the other, assumes other than a progressive increase in gross revenues with a lesser increase of operating expense, maintenance included.

A conservative estimate would assume an average growth in gross revenues of, say, 2.5% per annum, with a growth in operating expense of only half as much. That is to say, by 1935, present gross of about 160 millions should pass 200 millions, and present approximate net of 20 millions should increase to about 40 millions. This figure does not assume a 5% increase in rates, which would cause the net income to reach 50 millions by 1935. On the other hand by 1930, gross should hardly exceed 180 millions or net 30 millions, rate increase again excepted.

Since Adjustment mortgage bonds, if paid in full, and fixed charges, would absorb only 23 millions, it would appear possible for the preferred dividend to be resumed in about five years. At any rate it is possible for the full $5 dividend rate to be earned within five years. It is therefore possible that by 1931, the new preferred would sell at $75 per share, on the assumption, that even in a period of low money rates, its investment position would not be sufficiently assured for it to sell on

much better than a 6.60% income basis. As for the common, it may not see dividend daylight for a decade.

In view of the existence of a firm opposition, however, it is possible that the re-organization may not begin to function in the near future, but perhaps as late as the spring of 1927. Hence this development, together with uncertainty as to the amount of assessments required would make St. Paul preferred an attractive speculation at higher prices, only when the difficulties of the present situation have been ironed out.

PROFIT OPPORTUNITIES AMONG THE AMUSEMENT STOCKS

(*Continued from page* 156)

amount will be it would be hazardous to predict. *It is probable, however, that the shares will reflect this probability marketwise. While they are attractive, at the same time, they must be treated from the speculative angle inasmuch as earning power is a rather variable quantity as indicated by past performance.* Thus, in the past six years, net profits have fluctuated between a minimum of 66 cents and a maximum of $10.04.

PATHE EXCHANGE, INC.
Price, 49
Div., †$3
Yield, 6.1%
†*Also* 5% *in stock*

Although distribution of "news" and feature films is still the backbone of its business, Pathe Exchange is a well rounded unit in the moving picture industry, producing its own films and having full control over its own supply of raw film. Last year, Pathe released slightly less than 500 films through the 13,000 moving picture theatres which it serves. Over 150 of these films were Pathe News pictures and Pathe Review films, the balance being represented in features, serials, comedies and other pictures made by independent producers. The strong position that the company occupies as a producer is indicated by the fact that it serves over three-quarters of all of the moving picture theatres in the United States.

To further round out its activities in the film industry, Pathe has united with the du Pont interests in the formation of a subsidiary company known as the du Pont Pathe Film Manufacturing Company which is particularly interested in the exploitation of a non-inflammable film manufactured by a new process which formerly was controlled exclusively by the French Pathe company. Another departure which seems likely to prove quite profitable to Pathe is the manufacture and sale of the Pathex Camera and Projector. This device is a small camera made primarily for amateur use which sells for around $100, plus the cost of the special film, which is developed for

projection in the Pathex laboratories.

Earnings last year, although not quite as high as had been generally expected, held to the steadily rising trend shown within recent years. The net income of over 1.43 million dollars, after all charges including depreciation and taxes, was equal to $7.67 a share on the 177,561 shares of no par value Class A and B common stock outstanding at the end of the year. The 1925 balance sheet discloses a strong financial condition with a ratio of 6.5 to 1 between current assets and current liabilities. There are no bank loans or other unfunded debt outstanding. *The outlook for Pathe for the current year appears in every way satisfactory and the stock has good speculative possibilities.*

ORPHEUM CIRCUIT
Price, 29
Div., $2
Yield, 6.9%

Orpheum Circuit is one of the largest companies of its kind and the only representative of the vaudeville business whose shares are listed on the Big Board. As a holding company, it has gradually added to its controlled properties so that it now has theatres with an aggregate seating capacity of 90,000 scattered over the United States. Most of these are located in the West and South, with some in Canada.

Organization of the company was effected in December, 1919, and earnings in the following year were quite satisfactory. Thereafter came the notable era of deflation in trade and industry. The results are readily discernable in Orpheum Circuit's earnings for 1921 and 1922 when net profits fell to 57 cents and 2 cents a share, respectively. A number of its theatres were forced to close during the period of restricted employment and reduced public buying power. With the return of prosperity, however, marked improvement set in and during the past three years, Orpheum's earnings have shown consistent expansion. While greater gains were shown in 1924 than in 1925 new theatres are gradually being added to the company's chain. Hence, with reasonably good general business conditions, earnings should show further improvement.

Financial condition was measurably strengthened by the sale of a minority interest in the B. F. Keith Greater New York Theatres Co. in 1924, through which transaction Orpheum realized a substantial profit. The betterment in earning power in recent years is also reflected in financial condition. Thus, at the close of 1925, working capital amounted to 2.76 million dollars compared with $933,256 at the end of 1923.

The company has 6.74 million dollars of bonded debt, but is free of bank loans. The $549,170 of $1 par value common stock is preceded by an issue of 8% cumulative convertible preferred stock, of which 6.58 millions are outstanding. This stock may be exchanged for common in the ratio of one share of the former for two of the latter. *Though the conversion feature has only*

(*Please turn to page* 194)

(Continued from page 192)

remote possibilities, the senior shares are attractive as a semi-speculative investment, yielding 7.7% at current prices around 104.

Common dividends were increased from $1.80 a share last year to an annual rate of $2 in January. *The higher payment seems reasonably secure so that the common may be classed as a fairly promising speculation.*

FOX FILM CLASS A
Price, 64
Div., $4
Yield, 6.3%

Large growth from small beginnings seems a characteristic of the amusement companies. Like several of its prototypes, Fox Films was born with a very modest capitalization. The company was formed, a little more than ten years ago, by the man from whom it takes its name and his associates. The initial investment totaled a half-million dollars, from which has grown the present company with an annual gross business in excess of thirty times the original outlay.

The company appears as a lesser light when compared with the dominating Famous Players-Lasky organization and while total capitalization is larger than the other motion picture producers under review in this discussion, reported gross revenues fall considerably under the level of First National and Universal. In other respects, the company closely resembles its fellows.

That is to say, it produces and distributes motion pictures throughout the United States and Canada, through a number of wholly owned or controlled subsidiaries. Similarly, activities have been carried into the foreign field on a substantial scale. Its principal revenues are derived from two-reel comedies, one-reel varieties and educational productions. A number of feature pictures is produced each year.

In respect to current working capital position, Fox has somewhat the advantage over its rivals since inventories comprise a smaller percentage of current assets and cash is larger. As of November 28, 1925, for example, cash, call loans and marketable securities alone amounted to 4.79 million dollars which compares with total current liabilities of but 1.17 millions.

Earning power seems relatively stable for an enterprise of this type. Reduced to terms of present capitalization, net profits have fluctuated between a minimum of $2.28 a share in 1920 and a maximum of $5.32 in 1922. These figures compare with $5.05 a share earned for the combined 400,000 shares of Class A and 100,000 shares of Class B stocks. Both of these issues share equally in dividend payments and are preceded by 5.26 million dollars of funded debt.

Only the Class A shares are listed. As there does not appear a likelihood of an early change in the present $4 dividend, in view of the earning power thus far developed, this stock seems high enough for the present.

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IN 50M lots; 25m \$1.50; 12,500 \$1.75 on our white 20 lb. Paramount Bond. A Beautiful, Strong, Snappy Sheet. No smaller quantities.

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Dividends

Federal Light & Traction Co.
PREFERRED AND COMMON STOCK DIVIDENDS

52 William Street, New York, May 5, 1926.

The Board of Directors has this day declared the Regular Quarterly Dividend of One Dollar and Fifty Cents (\$1.50) per share on the Preferred Stock of Federal Light & Traction Company, payable on June 1, 1926, to the Stockholders of record as of the close of business May 15, 1926.

The Board of Directors has also this day declared the Fourteenth Quarterly Dividend, at the rate of Thirty-Five Cents (35c) per share, upon the Common Stock of the Company. Such dividend is payable Twenty Cents (20c) in cash and Fifteen Cents (15c) per share (1/100 of a share) in the Common Stock of the Company. This dividend is payable on July 1, 1926, to the Common Stockholders of record at the close of business June 15, 1926.

No Certificate of Common Stock will be issued for less than one (1) share. For fractional shares scrip will be issued and will be exchangeable for stock at the office of The New York Trust Company, 100 Broadway, New York, N. Y., upon surrender in amounts aggregating Fifteen Dollars (\$15.00) or multiples thereof. No dividends will be paid to the holders of scrip but all dividends on the stock represented by scrip will be payable to the first registered holder of the stock.

Checks for the cash dividends and certificates and/or scrip for the stock dividend will be mailed. The transfer books will not be closed.

J. DUNHILL,
Secretary and Treasurer.

Tennessee Copper & Chemical Corporation

61 Broadway, New York
May 11, 1926.

The Board of Directors of the Tennessee Copper & Chemical Corporation has this day declared a quarterly dividend of twenty-five cents (25c) per share on the issued and outstanding capital stock of the company payable June 15, 1926, to stockholders of record at the close of business on May 29, 1926. The books will not close.

E. H. WESTLAKE, Treasurer.

WEST PENN RAILWAYS COMPANY

New York, N. Y., May 5, 1926.

At a meeting of the Board of Directors of West Penn Railways Company, held in New York City today, quarterly dividend No. 36 of one and one-half (1½%) per cent was declared payable upon the 6% Cumulative Preferred Stock of the Company on June 15, 1926, to stockholders of record at the close of business on June 1, 1926, being for the quarter ending June 15, 1926.

C. F. KALP, Treasurer.

Business Opportunities

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HANDS PUBLISHING COMPANY, 366 Fifth Avenue, New York, N. Y.

Investors Attention

NYUSA OIL COMPANY, operating Oklahoma fields since July 1919, offering 25,000 shares Class "A" Common Stock at par value \$1.00; has full voting power and priority of dividends. Contemplate cash payment this year of 12% dividend. Company's possibilities good. Outstanding issue small. No sales under 500 shares. Save commission by buying direct. Address inquiries to E. L. Jillson, 1039 Kennedy Bldg., Tulsa, Okla.

Dividends

The Mengel Company
Louisville, Ky.

The Board of Directors of The Mengel Company, May 6th, 1926, declared the regular quarterly dividend of 1¾% on the Preferred Capital Stock of the Company, payable June 1st, 1926, to Stockholders of Record at the close of business May 15th, 1926.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., May 6th, 1926.

CANADIAN PACIFIC RAILWAY COMPANY
Dividend Notice No. 120

At a meeting of the Board of Directors held today a dividend of two and one-half per cent. on the Common Stock for the quarter ended 31st March last was declared from railway revenues and Special Income, payable 30th June next to Shareholders of record at three p. m. on 1st June next.

By order of the Board.

ERNEST ALEXANDER, Secretary.

Montreal, 5th May, 1926.

Independent Oil and Gas Co.

Tulsa, Oklahoma
April 29, 1926.
DIVIDEND NO. 15

Notice is hereby given that the Directors of this company, at the regular quarterly meeting held April 26, 1926 declared regular cash dividend for second quarter of 1926 of 25c per share, payable July 19, 1926 to stockholders of record at close of business June 28, 1926.

R. M. RIGGINS,
Secretary & Treasurer.

G. R. Kinney Co., Inc.

New York, May 5th, 1926.

The Board of Directors of the G. R. Kinney Co., Inc., has this day declared the following dividends:

Preferred Stock: \$2.00 per share payable June 1st to stockholders on record May 21st.

Common Stock: \$1.00 per share payable July 1st to stockholders on record June 19th.

E. H. KROM, President.

Business Opportunities

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W. R. KING, President,
The City National Bank,
San Antonio, Texas.

PRODUCING OIL ROYALTIES FOR SALE in the Mid-Continent Field, large or small, with Standard Oil and Major Independent Operators on leases. Many show yields from 35 to 50% on investment. Write for information and FREE copy of "The History of Oil Producing Royalties" Hyland & Co., 933 Kennedy Bldg., Tulsa, Okla.

Dividends

Paramount Pictures
FAMOUS PLAYERS-LASKY CORPORATION
COMMON DIVIDEND

PLEASE TAKE NOTICE that the Board of Directors has this day declared the regular quarterly dividend of \$2.00 per share on the Common Capital Stock of this Company, payable July 1st, 1926, to stockholders of record at the close of business on June 15th, 1926.

ELEK JOHN LUDVIGH,
May 10th, 1926 ***Secretary.***

FAIRBANKS, MORSE & CO.
Preferred Dividend

Notice is hereby given that the regular quarterly dividend of One and Three-quarters per cent (1¾%) has been declared on the outstanding 7% Preferred Stock of this company, payable on June 1st, 1926, to stockholders of record at the close of business on May 15th, 1926.

The transfer books will not close.

F. M. BOUGHEY, Secretary.

Chicago, Illinois,
May 4th, 1926.

THE PURE OIL COMPANY

Twelfth Annual Report of the Directors—For the Fiscal Year Ended March 31, 1926

Columbus, Ohio, May 1, 1926.

To the Shareholders:

Herewith is submitted the Twelfth Annual Report of The Pure Oil Company, for the year ended March 31, 1926.

After paying $1,670,505.00 in dividends on its preferred stock, and six and one-half per cent (6½%) on its common stock, amounting to $4,937,515.85, the Company added $6,372,358.13 to its Surplus and provided $8,342,837.41 for Reserves. The funded debt consists only of $10,430,000.00 Sinking Fund Gold Notes.

Current assets of $28,847,694.96 equalled more than three and one-third (3⅓) times current liabilities of $8,561,056.67 at the close of the fiscal year, and in the course of that period current assets declined $5,741,764.85 against a reduction of $14,580,129.64 in current and funded liabilities.

The outstanding common stock of the Company was increased in the amount of $4,454,350.00, which was issued for the purchase of producing properties of the Humphreys-Boyd Oil Company in the Wortham field in Texas.

During the year the Company disposed of its stock in the Pure Oil Pipe Line Company of Texas, at the same time making an arrangement by which The Pure Oil Company is safeguarded by a supply of crude oil for the Smiths Bluff and Marcus Hook Refineries in addition to its own production, to which the line was tributary.

During a period of thirty days, the Company offered to its employees a plan for purchase of its 6% Preferred Stock, the installments to be deducted from the monthly salaries of subscribers over a period of four years. While the benefits which the employees will realize under this plan are very considerable, the response on their part exceeded expectations. The average payroll of the Company covered about 8,500 employees through the year, of which approximately 5,450 were eligible to subscribe and 4,175, or 78 per cent., participated for a total subscription of $4,325,700.00. The plan does not contemplate the issuance of any new stock by the Company.

During the year the contributory group insurance plan was put into effect, to which 95 per cent. of the eligible employees subscribed.

The Marcus Hook Refinery was completely modernized and rebuilt during the year, and important additions to the refining capacities were made at the Muskogee and Heath Refineries, which will result in increased output, increased profits and economies of operation.

The marketing facilities of the Company were increased and conditions in that department materially improved during the recent year. The profitable marketing of our products has been materially strengthened in all of the territory which the Company reaches, particularly in the southeastern section of the country.

The net earnings of the Company are the largest in its history, and the outlook for the coming year is satisfactory.

HENRY M. DAWES, *President.*

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS FOR THE YEAR ENDED MARCH 31, 1926

Gross Earnings		$118,715,184.02
Costs and Operating Expenses		96,726,230.02
Net Operating Earnings		21,988,954.00
Add—Non-Operating Profits		2,812,771.86
Total Income		24,801,725.86
Deduct:		
Taxes, including Federal Income Tax	$2,391,932.20	
Interest and Discount on Notes	1,144,654.34	
		3,536,586.54
Net Income Available for Reserves and Surplus		21,265,139.32
Deduct:		
Reserved for Depreciation and Depletion and Abandonment of Leases		8,342,837.41
Balance to Surplus		$12,922,301.91

Surplus April 1, 1925	$53,128,541.02	
Add—Surplus Adjustments	58,077.07	
		$53,186,618.09
		66,108,920.00
Deduct Cash Dividends:		
Preferred	$1,670,505.00	
Common	4,937,515.85	
		6,608,020.85
Surplus at March 31, 1926		$59,500,899.15

CONSOLIDATED BALANCE SHEET AT MARCH 31, 1926

ASSETS

Property, Plant and Equipment		$184,374,270.47
Stock in Treasury		316,000.00
Other Investments		4,049,260.87
Current Assets:		
Cash	$3,140,021.23	
Marketable Securities	250,000.00	
Accounts Receivable	5,116,977.04	
Notes and Trade Acceptances Rec'ble	738,823.79	
Stocks of Finished Oils	5,716,077.41	
Stocks of Crude Oils	10,014,126.74	
Material and Supplies	3,871,668.75	
		28,847,694.96
Prepaid Insurance, Taxes, Interest and Deferred Ch'gs.		1,333,088.85
Total Assets		$218,920,315.15

LIABILITIES, CAPITAL AND SURPLUS

Capital Stock Outstanding:		
Common	$75,959,250.00	
Preferred	23,000,000.00	
Preferred—The Moore Oil Refining Co.	800,000.00	
		$99,759,250.00
Funded Debt:		
Sinking Fund Gold Notes		10,430,000.00
Current Liabilities:		
Accounts Payable	2,724,628.56	
Notes Payable	4,350,000.00	
Accrued Taxes	1,252,605.38	
Accrued Interest	233,822.73	
		8,561,056.67
Surplus and Reserves:		
Compensation Insurance	215,992.16	
Depreciation and Depletion	40,403,351.33	
Other Reserves	49,765.84	
Surplus	59,500,899.15	
		100,170,008.48
Total Liabilities, Capital and Surplus		$218,920,315.15

ers,